

NEWS: EUROPE

EUROPEAN NEWS DIGEST

US to press Moldova plan

The American UN envoy, Ms Madeleine Albright, said yesterday that Washington was anxious to ensure that Russian troops leave Moldova and it was ready to act to encourage them to do so. Russia's 14th Army has been deployed in the breakaway Dniestr region of Moldova since Moldovan independence in 1991.

Earlier this month, Russia and Moldova finalised an agreement which stipulated the withdrawal of the 14th Army within three years. It is awaiting the approval of the Russian and Moldovan presidents, Mr Boris Yeltsin and Mr Mircea Snegur. Ms Albright said she had discussed the issue with Mr Snegur and the Moldovan foreign minister, Mr Mihai Popov. "We were discussing how the international community can be helpful in observing the departure of the 14th Army and what international approaches can help to keep the pressure on in order to make the army leave," she said.

She said she would urge Russian leaders, when in Moscow, to act without delay in withdrawing their forces from Moldova and other former Soviet republics. "This is not only good for the republics themselves, such as Moldova, but also for Moscow in order to have peace on its borders and in its former republics," she said. Moldova is the only former Soviet republic where Moscow keeps its forces without a formal agreement on military bases or any other accord. Russia has signed such treaties with the Transcaucasian states of Georgia and Armenia as well as with the Central Asian republic of Tajikistan. *Reuter, Kishinev*

Dutch PM sets out priorities

The Dutch prime minister, Mr Wim Kok, yesterday promised "work, work and more work" from his new coalition government to tackle rising crime, build prosperity and launch a review of foreign policy.

Presenting his government programme to the Dutch parliament, Mr Kok responded to criticism that his new coalition, which excludes the Christian Democrats and joins the Labour, conservative Liberal, and reformist D66 parties, would prove fragile. The coalition has been dubbed "purple" because of the mix of the three parties' political colours. The government took 111 days to form after an inconclusive general election in May.

Mr Kok, former finance minister, inherits a sound economy emerging from a mild recession. As part of a modestly austere financial package, he has pledged funds to stimulate new jobs, finance by spending cuts.

Mr Kok warned that the cuts, aimed at health care, state pensions, higher education and child benefit, would mean "some painful measures". Foreign policy will be reviewed within two years, with a new emphasis on linking it to development co-operation. *Reuter, The Hague*

Doubts over Schärling pledge

Most Germans do not believe a campaign pledge by opposition leader Mr Rudolf Schärling to reject any pact with communists after October's general election, an opinion poll released yesterday showed.

The poll by the Allensbach Institute said 54 per cent of those surveyed said Mr Schärling, leader of the Social Democrats (SPD), would accept communist support if it was needed to become chancellor. Twenty-five per cent said they believed Mr Schärling, who insists he would reject any communist backing when a new parliament convenes. Even among SPD members, only 40 per cent believed Mr Schärling, while 38 per cent doubted his word and 22 per cent did not answer either way. The issue has dominated campaigning since the SPD in the eastern state of Saxony-Anhalt last month formed a minority state government based on tacit toleration from the Party of Democratic Socialism, the successors to East Germany's ruling Communist party. *Reuter, Bonn*

French unemployment falls

Further evidence of France's economic recovery emerged yesterday with the news that the level of unemployment fell slightly in July for the second month in succession. The number of people out of work in July fell by 10,800, or 0.3 per cent from June, with the overall jobless total reaching 12.5 per cent, or 3.22m people, against 12.7 per cent for May. Rising unemployment has for the past four years been one of the toughest problems facing France.

The socialist government's failure to address the issue was a key factor behind its defeat in last year's parliamentary election and the recent reduction in the jobless figures has helped boost the popularity of Mr Edouard Balladur's centre-right administration this summer. Economists anticipate further reductions in the unemployment figures during the autumn and winter, albeit at a gradual pace, given that the rate of growth is expected to slow. *Alice Rawsthorn, Paris*

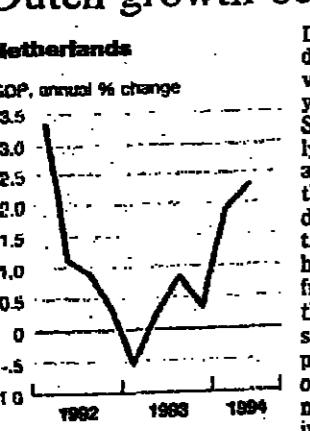
Survey reveals small-scale EU

Only 7 per cent of the 14m businesses in the European Union have more than nine employees, according to a study by Eurostat. Enterprises with less than nine employees account for around a third of EU employment and a quarter of the EU's £10.500bn (€8.368bn) annual turnover. Small businesses are particularly important in Italy and Spain where they form the backbone of the economy.

In Germany, France and Britain larger companies have a bigger share of employment. Only slightly more than 15 per cent of the Spanish workforce is employed in companies with 500 people or more, against 36 per cent in Germany. The survey, based on 1990 figures, which are the latest available, also show that the four largest economies in the EU - those of Germany, the United Kingdom, France and Italy - account for 67 per cent of the 14m EU enterprises, and for 75 per cent of the 92m people employed in the EU. *Reuter, Brussels*

ECONOMIC WATCH

Dutch growth beats forecast



In the private sector, the CBS said, while public sector growth was measured at a more moderate 1.5 per cent. The value of goods produced rose approximately 3 per cent. Stronger growth in the construction sector, including activities abroad, in the second quarter compensated for a decline in the first quarter. *Reuter, Voorschoten*

Hungary's trade deficit widened to \$1.6bn (f1bn) in the first half of 1994, compared with \$1.53bn in the same period last year, the central bank said yesterday. The current account deficit was \$1.56bn, up from \$1.53bn in the first half of 1993. The government devalued the forint 3 per cent in August in an attempt to boost exports and keep the trade deficit for the year below \$3bn.

Greece's retail sales index rose 12 per cent year-on-year in May after a 21.4 per cent rise in April, the National Statistics Service said. The rise exceeded the 11 per cent year-on-year increase in the consumer price index in the same month.

Catalans and Socialists engage in political horse-trading

Spain seeks budget deal

By Tom Burns in Madrid

Mr Felipe González's minority Socialist government yesterday began the tortuous process of crafting an agreement on next year's budget with the main Catalan nationalist coalition, cautious of giving too much away on home rule and of irritating its own left wing with conservative policies.

The wary tone of the annual bout of horse-trading was underscored by Mr Miguel Roca, the chief budget negotiator for Catalonia's Convergencia i Unió (CIU) centre-right coalition, who said an initial meeting with Mr Pedro Solbes, economy minister, had revealed "areas of agreement and of disagreement".

Mr Solbes' 1995 budget, due before parliament not later than September 30, requires the support of the 17 CIU deputies to pass through the legislature. The Catalan coalition backed last year's budget, following the Socialists' loss of their majority in the general election, after a concession



Pedro Solbes: starting annual budget horse-trading

allowing regional governments to control 15 per cent of the income taxes raised in their territories.

CIU, the main political grouping in wealthy Catalonia where it has a predominantly small business constituency, also brought the government round to spending cuts and to overhauling the rigid domestic

the EU funds issue could be contested by other regions and fuel claims that the CIU is bent on gaining advantages for Catalan nationalism at the expense of the principle of national solidarity.

In Andalucía, Spain's most populous region where the Socialist party lost its majority in local elections in June, opposition parties joined forces in the regional parliament last month to reject the 15 per cent tax concession built into this year's budget.

They claimed it favoured Catalonia over poorer regions where fiscal revenues are much lower.

The Socialist party's left wing and the 16-strong Communist contingent in the Madrid parliament are meanwhile certain to oppose both cuts in social security contributions and increased deregulation of the labour laws.

These Catalan initiatives, however, are broadly backed by the conservative Partido Popular, the main opposition party.

Helmut Kohl's nominee moves into a top job in Brussels

German in EU hierarchy

By Lionel Barber in Brussels

Dr Jürgen Trumpf is hardly a household name. But today in Brussels, Mr Trumpf, formerly the top civil servant at the German foreign ministry in Bonn, moves into one of the most powerful jobs in the EU hierarchy.

The post of secretary-general of the European Council cannot compare with the president of the European Commission, a job which Mr Jacques Delors has transformed over the past 10 years into the public face of Europe. But its attractions are no less real.

The selection of Mr Trumpf reveals much about the discreet manner in which Germany prefers to wield influence in the EU. But it also reflects a shift in the balance of power away from the Commission to the Council and the European Parliament.

The secretary-general serves as chief adviser to the Council of Ministers, the leading decision-making body in Brussels; and as counsellor to the rotating EU presidency. Supported by a modest but slowly expanding secretariat, he is also a high-level diplomatic intermediary between the member states, particularly ahead of EU summits which set the broad direction and policy of the Union every six months.

In this capacity, the secretary-general serves as the guardian of the EU's institutional memory. He is charged

with reminding member states of the commitments and obligations which they have undertaken. Thus, what looks like an innocuous bureaucratic function is, in fact, a powerful constraint on the (often misplaced) ambitions of incoming EU presidencies and a guarantor of continuity in EU policy- and decision-making.

"Used properly, the post of secretary-general can become the power behind the prime minister of Luxembourg, who was nobody's first choice as Commission president.

Mr Trumpf, 63, a classical philologist by training, studied in Athens in the mid-1950s.

An avowed Anglophile, he entered the German foreign service in 1958 - the date when France, Germany, Belgium and Luxembourg concluded the treaty of Rome which created the (then) European Commu-

nity. He understands public opposition in Germany to giving up the D-Mark in favour of a single European currency, but insists that Germany sticks to its treaty commitment.

The temporary crisis in Anglo-German relations in September 1992 caused by the forced withdrawal of sterling from the Exchange Rate Mechanism pained him. He was less than comfortable with the presentation of the Bundesbank's case against a premature lowering of German interest rates.

During his five-year term (which coincides with the respective terms of the new European Parliament and the Commission president), Mr Trumpf will deal the 1996 inter-governmental conference, as well as preparations for future EU membership for the east Europeans, Cyprus and Malta.

It is widely predicted that an expansion of the EU beyond its present planned membership of 16 will require a further dilution of national sovereignty, mainly through streamlined decision-making.

The appointment of Mr Trumpf followed pressure from Chancellor Kohl who made it known in Brussels that Germany was under-represented at the highest levels of the EU's bureaucracy. Germany has also taken a close interest in the development of the European Parliament, where Mr Klaus Hänsch has just been voted president.

Unease inside Moslem Paris

Francis Ghilès reports on how immigrants are coping with a clampdown

T he heavy policing of areas of Paris inhabited by large numbers of Moslem immigrants, following the killing of five French officials in Algiers last month, appears so far to have been well received by French public opinion.

The policy, announced by Mr Charles Pasqua, the minister of the interior, won the support of 71 per cent of respondents to one poll taken in mid-August who said they trusted the government to "avoid the risk of terrorism". Some 57 per cent agreed that repeated identity-checks by security forces were "efficient and dissuasive".

Weeks after the killings, with newspapers carrying daily reports of further violence and deaths in Algeria, the police are still out in force in the north-African populated districts of larger towns, although the tension is now easing. However, in such north-African strongholds as Barbès, near Montmartre, shops close earlier and cafés are quieter than usual. Some immigrants have even abandoned their customary Friday prayers at the local mosque for fear of police spot-checks or being caught up in random trouble.

Older immigrants, mainly Algerians, fear that the worsening violence in their country could spill over into terrorist acts in France. They remember all too clearly that the Algerian war of independence was fought out in the streets of French cities as well as in north Africa.

But they also fear growing racism encouraged by indiscriminate political and media rhetoric. Mr Dafli Boubakeur, rector of the Paris mosque, has expressed his concern that the "fragile consensus" which has

grown up in recent years between many immigrants and French society is coming under increasing strain.

The greater police activity has yielded what appears to be a very mixed bag of alleged terrorists, reminiscent of a similar crackdown nearly a year ago in response to the kidnapping of three consular officials in Algiers. One of the two dozen Islamic Salvation Front (FIS) sympathisers detained at the Follémbray barracks, 100km north-east of Paris, is the activist, Mr Ahmed Simozrag, who acted as lawyer for Mr Abassi Madani, the leader of the FIS who has spent the last three years in an Algerian jail. Others are self-proclaimed imams or run bookshops which stock FIS literature. Some had weapons and considerable sums of money when picked up.

Critics of Mr Pasqua's policy argue that he does not differentiate between the FIS, with its armed wing in Algeria, the Islamic Liberation Army (AL), which has condemned the killing of foreigners, and the hard-line Islamic Armed Group (GIA) which claims to be responsible for the deaths of the 52 foreigners killed over the past 12 months. As a result, they feel that the minister is inviting reprisals on French residents in Algeria and tempting the FIS to take its fight onto French territory.

Unlike Mr Alain Juppé, the minister of foreign affairs, who has called for a dialogue between all parties to the conflict in Algeria, Mr Pasqua has given his unstinting support to the military-backed regime. Mr Pasqua's involvement with Algerian affairs can be traced back to the days when he founded the Service d'Action Civique (SAC) to fight settlers who, between 1959 and 1962 had regrouped in the Organisation de l'Armée Secrète (OAS) to fight General de Gaulle's

policy in Algeria. Mr Pasqua's supporters argue that there is no such thing as a "moderate" fundamentalist. Ironically, since government-backed attempts in the mid-1980s to integrate immigrant children in the poorer suburbs failed, mayors of cities with large immigrant populations have often turned to imams in the battle against crime and drugs.

Young unemployed Beurs, as French-born north Africans are called, found solace in Islam and are proclaiming their Moslem faith in growing numbers. Traders have erected signs which distinguish their outlets from other, "non-Moslem" shops.

A sharp rise in the number of TV satellite dishes in north African suburbs has allowed immigrants increasingly to turn in to non-French television. An estimated 3m Moslems live in France today, 500,000 of whom are French citizens and the children of older immigrants. Of this total, 800,000 are Algerian, 500,000 Moroccan and 200,000 Tunisian. It is more a patchwork of groups than a homogeneous community, however, and the French authorities remain extremely nervous at any sign of fundamentalism spreading.

But the real fear is based on the eventual outcome of the conflict in Algeria. Should the fundamentalists come to power in Algeria before next year's French election, Algeria and, by extension, the values propagated by radical Islam, would take centre stage in the presidential campaign. That is a prospect relished by few Frenchmen, other than right-wing supporters of Mr Jean-Marie Le Pen, and even fewer immigrants.

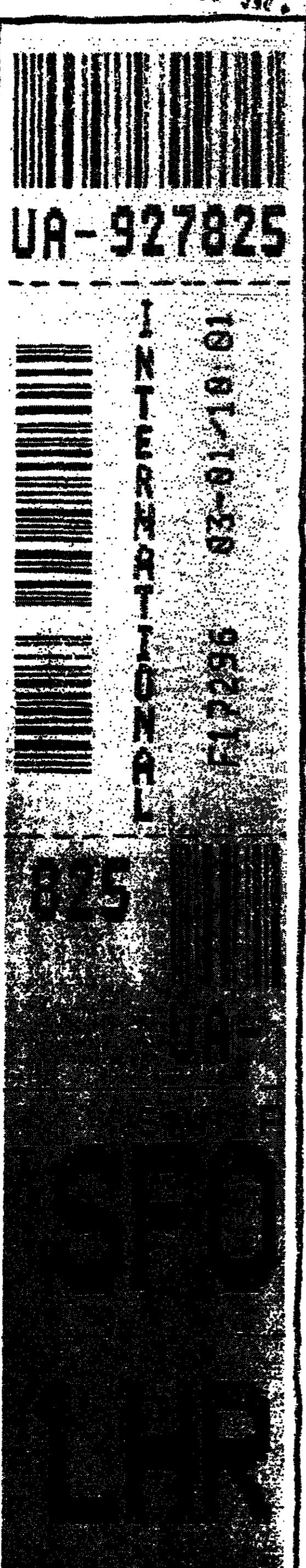
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NEWS: INTERNATIONAL

Population delegates are putting themselves in danger's way, militants warn

Fears of violence stalk Cairo conference

By Mark Nicholson in Cairo

The gleam with which the Egyptian government originally greeted the UN's selection of Cairo as host to next week's International Conference on Population and Development looks increasingly tinged with apprehension as the hordes of delegates, journalists and assorted experts start to arrive.

After two years' hitting the headlines for Islamic militant violence, publicity which devastated its glittering tourism industry, Egypt was able to point proudly to the conference as evidence of the highest confidence in its control of domestic security. The prestige of the gathering was also taken as acknowledgement of Egypt's central role in the Middle East and Moslem world.

But as Monday's official opening of the conference nears, its hosts have reason to feel anxious. Not only has the violent and militant Gamma al-Islamiya re-emerged after several months' relative silence to warn visitors that they "are putting themselves in danger's way" by attending, but the debate about the conference's agenda has suddenly reared into an

awkward religious battle which seems to have caused one of Egypt's staunchest regional allies, Saudi Arabia, to boycott the affair altogether. It has put Cairo firmly on the defensive in its domestic political tussle with Islamic conservatives.

The government has bent every bone to assure the greatest possible security for the conference, which will attract 15,000 delegates, with an assortment of prime ministers, vice-presidents and celebrities. The capital's main routes are dotted with white-uniformed police, and parking has been banned around the main hotels, which resemble minor military encampments.

Until a week ago, Cairo could claim with some confidence it had won the upper hand in its assault on violent Islamic extremists. Violence continued in militant hotbeds around Assuit in Upper Egypt. Gamma al-Islamiya had failed to pull off attacks on tourist targets for almost five months, its flow of fixed warnings had abated and the capital had had months been free of even minor incidents.

But last Friday, Gamma resurfaced to claim credit for an attack on a group of Spanish tourists in Upper Egypt in which a young Spaniard was killed. Last weekend it condemned the "conference on licentiousness" and made its warning to attending delegates.

The result has been to remind the government, and all those attending the conference, that however successful it has been in constraining militant violence, it has failed to eliminate it. Few diplomats or other observers would pronounce with any confidence that the next 10 days will pass without a single incident. "It is an enormous test," says a diplomat.

The militants know that the smallest incident over the next few days will get them big headlines'

"The militants will know that the smallest incident over the next few days will get them big headlines."

But the headlines surrounding the conference to date have already been discomfiting enough for the government. That the conference's proposed final text has become the focus of a furious battle between Roman Catholic and Moslem conservatives and the majority of the other 170 states represented at the meeting, who have been working on the draft for some two years, is embarrassing enough. It has already led to the boycotts by Saudi

Arabia and Sudan, and is likely to have been a factor in the decisions of Turkey's Premier Tanci Ciller and Ms Begum Khaleda Zia, Bangladesh's prime minister, not to attend.

Worse, for the government, however, is the ammunition the row over the draft text has handed Egypt's religious conservatives, particularly the Moslem Brotherhood, to which President Hosni Mubarak's regime denies status as a political party and has done all it can in recent months to counter in its increasingly successful infiltration of powerful professional associations.

The government is suspicious of the Brotherhood's position in relation to extremist and violent militant groups, despite the Brotherhood's constant assertion of its moderation. It recently excluded the Brotherhood from a national political dialogue, saying it did not exist as a political group. It has done all it can to try to diminish the Brotherhood's religious and political authority, in favour of its own state-sanctioned Islamic voice, which has traditionally issued from the Al-Azhar university mosque, one of Islam's oldest seats of instruction.

But the Al-Azhar earlier this month handed the government an unpleasant surprise by condemning the conference as unislamic. It accused the draft text of condemning homosexuality, abortion and pre-marital and ad-

olescent sex. The Brotherhood promptly agreed with the condemnation, branding the conference an imperialist attempt by the west to curb population growth in the Moslem world.

That the row over the draft text has handed the Brotherhood a powerful political platform is clear from the fact that the government has been forced to reply, defensively, that it could not condone anything in the final document which ran contrary to Sharia, or Islamic, law.

"The government cannot oppose the Brotherhood," says Mr Essam al-Arabi, a doctor and Brotherhood spokesman. "because society feels we are moderate and active. They have no choice but to have full dialogue with us."

The full political consequence of this row for the government, and the implications for its own population policies will take much longer than the conference to shake out. Leaders of the Brotherhood have their eyes firmly on next year's party elections, which they are likely to contest in informal alliance with the Labour Party.

Meanwhile, the conference hosts can only hope at least for another incident-free fortnight in Cairo, one which might help to restore the city's currently fully-booked hotels to their former profitability.

Birth-rate successes moderate Iran's stance

Scheherazade Daneshkhu on attempts to rein in alarming fertility rates as population hits 60m

The Iranian government's opposition to next week's United Nations population conference is not so great that it will join Saudi Arabia and Sudan in boycotting it.

Iran is sending a delegation which it hopes will "adapt the final document to incorporate religious ethics".

Criticism of the Cairo conference centres on the pragmatic approach taken towards issues such as extramarital and adolescent sex.

Mr Ali Reza Marandi, Iran's health minister, said earlier this week, that the draft document "seemed to have disregarded the religious views of the Islamic world and formulated the text with a sense of sexual liberty".

Iran's own religious ethics underwent revision toward population control in 1988, when the government recognised the severity of the country's high population growth rate. The average population growth rate of 3.9 per cent a year in the early 1980s was among the highest in the world.

The Islamic government,

POPULATION IN IRAN									
Population (m) 1984	Population (m) 2025	Average growth rate % 1980-95	Per cent urban 1992	Fertility rate/women 1990-95	Adult literacy M/F 1990	Family planning users (%) 1975-85	GNP per capita US\$ 1991	% of central govt. expenditure 1991	Health
63.2	144.6	2.7	58%	6.0	65/43	65	2,170	20.9	7.9

and the infrastructure is much better than for many Asian countries".

A women's health volunteer programme in the poor suburbs of southern Tehran has so far produced good results and is to be extended. Under the programme, women volunteers act as family planning counsellors in areas which are not served by the primary health care network.

Iran has a relatively high literacy rate of 74 per cent, girls' enrolment in primary school is nearly as high as that of boys. The spread of education and literacy has increased a widespread desire for smaller families.

Despite the success of the programme, to date, the UNFPA says the task ahead are still "formidable". A relatively large number of Iranian and born in the baby-boom of 1976-1986 will be of child-bearing age from 1995 onwards, so fertility rates will increase.

Since 65 per cent of the population is under the age of 25, there is a need for even more emphasis to be placed on education.

which took over after the 1979 revolution, laid greater emphasis than before on early marriage and the woman's role as wife and mother and saw no reason to encourage birth control.

It welcomed the growth in population, seeing it in terms of increased resources to build the country into an Islamic model. By the mid-80s, however, concerns about the economy led to fears that the high population growth was a threat rather than an aid to economic development.

Iran's population grew from just over 37m at the beginning of the revolution in 1979 to 57m by 1986, an increase attributed to the lack of a family planning programme combined with improved health care since the 1960s. Today, Iran's population is believed to stand at more than 60m.

Implementation of a family planning programme in 1988 has witnessed a drop in the annual average growth rate from the 3.9 per cent peak to 2.3 per cent last year and down further to 1.8 per cent in July, according to government figures.

Demographic experts, while acknowledging that Iran has been successful in controlling its population growth, are sceptical of these figures. They argue that such a rapid population decrease is impossible in such a short period of time and cite the need for strengthened data collection and statistical analysis.

The most reliable figures are those of the country's census, taken every five years. This showed an annual average growth rate of 2.9 per cent in 1991, well above the current 2 per cent growth rate for developing countries. Subsequent figures have been based on less reliable samples.

Mr Shu Yun Xu, Iran country director at the United Nations Population Fund (UNFPA), says that despite the controversial figures, Iran's family planning programme has been "a great achievement", partly because of the strength of the government's commitment. "It has been supportive of all contraceptive methods, including male sterilisation. Only abortion is not allowed."

The main thrust of the government's population control programme has been based on an increased supply of contraceptives, the training of rural midwives and counselling in family planning techniques. The Ministry of Health, which established a Fertility Regulation Council in 1988 to implement the programme, reports a decline in total fertility from 6.4 children per woman in 1988 to 4.25 in 1993.

Increase use of contraceptives has been partly fuelled by the lack of family planning services for almost a decade. An active family planning programme was launched under the Shah's regime, so the implementation of the current programme has been relatively easy given the public's existing awareness.

Another reason for the success of the family planning programme has been the existence of a relatively good health infrastructure which, according to UNFPA reached 60 per cent of those living in the countryside and 90 per cent of the majority urban population.

Mr Xu said: "The primary healthcare network is very good especially in rural areas



Sri Lanka to investigate 'three business deals'

By Mervyn de Silva in Colombo and Reuters

Sri Lanka's new government will investigate three multi-million dollar business deals set up by the country's previous rulers, Mrs Chandrika Bandaranaike Kumaratunga, the newly-elected prime minister, said yesterday.

The deals, a \$75m (£48.6m) arms agreement with Russia, the purchase of three Airbus jetliners and the import of 5,000 buses from India and Britain, would be investigated by the Finance Ministry, she added.

"In the arms deal, 10 per cent has been paid in an unconventional manner without following procedure," she alleged.

According to a report by the army's Directorate of Electrical and Mechanical Engineers, obtained by Reuters this week,

a consignment of eight BMP-2 infantry fighting vehicles also had defective engines and steering systems, despite Russia's assurances the vehicles would be fully overhauled and defects repaired.

A second cargo of eight BMPs arrived last week and is waiting at Colombo airport, army officials said.

Officials of the People's Alliance coalition, which won the August 16 national poll, have accused unnamed officials of receiving "commissions".

Mrs Kumaratunga said the treasury had overspent Rs33bn (£433m) under the former United National Party government which ruled for 17 years.

"Because of this deficit, the Central Bank was about to print money. I had to stop that." The Prime Minister, who is also the finance minister, said she was looking at ways of bridging the gap.

"We are studying the agreement," she added.

Mr Dharmasiri Samanayake, Aviation Minister, said the \$300m Airbus contract, criticised by the People's Alliance when it was in opposition as being too extravagant, would not be cancelled because of international obligations.

They were part of a controversial arms deal with Russia, the purchase of three Airbus jetliners and the import of 5,000 buses from India and Britain, would be investigated by the Finance Ministry, she added.

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From here on, however, life for the Chauhan regime may not be so easy. Sir Julius, Papua New Guinea's prime minister for a brief two years in the early 1980s, and its first finance minister after independence in 1975, faces three main issues.

The first is the situation on the island of Bougainville, where the government has been fighting a guerrilla war with local secessionists for more than five years. The tactics of both sides have been condemned by organisations such as Amnesty International, and international censure has raised down.

There are, however, some hopeful signs. Private contacts between the government and the Bougainville Revolutionary Army have been getting under way in recent months, and Sir Julius, in his former role of foreign minister, had been due to fly to Honiara, in the Solomon Islands, later this week to meet secessionist leaders.

He quickly confirmed that this visit will go ahead. "Peace is vital; it's very much top of the priority list," Sir Julius said, although he was less precise about concessions which might be offered to the secessionists.

The second, even more intractable, problem is the economy, which suffered a serious blow in 1989, when the Bougainville dispute forced the island's large Panguna copper mine, operated by Australia's CRA, to close.

The mine had been providing about 30 per cent of the country's export earnings, and accounted for some 10 per cent of its gross domestic product.

With growth likely to evaporate in 1994 as the Porgara and Kukupi contributions ease off,

Mr Maskell Jangallo, Wingti's finance minister, had warned that his country could be heading for bankruptcy.

At first, PNG seemed to

interest to western markets, and closely related to the country's economic situation, is the country's resources policy.

This has been the focus of much confusion recently, with Mr Iangallo at open odds with Mr John Kapurin, the former mining minister.

The fiercest tussle has come over the proposed A\$1bn (£457m) plus gold mine on the island of Lihir, which is a joint venture between Bougainville Zinc and Nimginia Mining, controlled by Canada's BHP.

The original plan was split funding between a A\$400m share issue and debt financing, with the two partners and the Papua New Guinea government all holding stakes in the project.

Since then, there has been furious debate over whether the PNG government should stick to a provisional agreement to involve Malaysia's state-owned Malaysia Mining Corporation at an early stage in return for assistance with funding, and what equity entitlements should be offered to landowners.

The required "special mining lease", due to be granted in early 1994, has still not materialised.

In Australia, mining executives seemed to be holding their breath, and hoping that the change of government will mean a more pragmatic approach to Papua New Guinea's economic difficulties, and thus a smoother ride for would-be project developers.

One, involved with the Lihir project, suggested Sir Julius would probably want to put his own stamp on the mine decision, but would appreciate the economic boost it could eventually bring. "I don't think they can afford not to go ahead," he said.

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The third issue of

NEWS: INTERNATIONAL

Building boost for Japanese economy

By William Dawkins

Evidence of a modest recovery in Japanese domestic demand emerged yesterday in the form of an optimistic official forecast for industrial output and good construction industry figures.

Industrial output, representing just under a third of the economy, fell by 1.7 per cent from June to July, but manufacturing probably perked up again by 1.6 per cent in August, the Ministry of International Trade and Industry said. Overall production in the year to July was all but stagnant, with a 0.6 per cent decline.

Production has wavered all this year (it rose by 2.7 per cent in June) as the economy has bumped along in the early stage of a weak recovery. But Miti believes the latest result confirms a general trend for output to strengthen.

That view was supported yesterday by a 17.6 per cent rise in orders received by Japan's top 50 construction groups in the year to July, the first such jump in 18 months.

An encouraging feature was a 24.1 per cent rise in private sector orders, two-thirds of the total, showing that the industry is becoming less dependent on public works, a one-off boost financed by previous governments' economic stimulation packages. Public sector orders grew 12.1 per cent over the same period.

Separately, housing starts grew 5.8 per cent in the year to July, the fourth monthly rise running, and confirmation of a recovery in unit sales, though not prices, in the market for condominiums.

Satellite lost after engine failure

Japan's Science and Technology Agency (STA) lost its Y41.5bn (£270m) experimental satellite yesterday as engineers abandoned attempts to manoeuvre it into orbit following engine problems. Emiko Terao reports from Tokyo.

The loss of the satellite, launched to conduct tests on communication, has caused deep embarrassment among officials of the STA and the National Space Development Agency (Nasa). Its launch last Sunday marked Japan's first solo development of a two-ton class geo-stationary satellite and Japan had hoped to join the world's leading space powers with its success.

Mr Masato Yamano, president of Nasa, apologised to the public yesterday for the failure. The programme had cost the government Y60bn, with the H-2 rocket, which launched the satellite, worth Y15bn.

Test ban treaty faces delays

A treaty banning all nuclear tests is unlikely to be completed by next April when the Nuclear Non-Proliferation Treaty (NPT) comes up for renewal. Frances Williams reports from Geneva. Mr Miguel Marin-Bosch of Mexico, who chairs the test ban treaty negotiations in Geneva, said yesterday it would take "a minor miracle" to finish the pact by then, though it might be possible to have an "almost agreed" text next spring.

A number of developing countries have said their position on extending the NPT will depend on progress in the talks on a comprehensive test ban treaty which began last January under the auspices of the United Nations Disarmament Conference.

Australian growth rate falls back

Australia's annual growth rate dipped back to 4.3 per cent during the June quarter, after reaching 5 per cent during the first three months of the year. Nikki Tait reports from Sydney. However, the new figure was in line with market expectations, and Mr Ralph Willis, the federal treasurer, said the government saw no need to adjust its recent budget forecasts.

Philippine first-half economic growth rate doubles to 5.1%

By José Galang in Manila

The Philippines economy grew 5.1 per cent in the first half of this year, more than double the 2.3 per cent growth in the same period last year, according to government data released yesterday.

The performance puts the economy on track for its target

of 4.5 per cent overall growth for the whole of 1994, government economic managers said.

China scraps Patten's reform scheme

By Simon Holberton in Hong Kong

China's threat to disband popularly elected assemblies in Hong Kong was made law yesterday when the National People's Congress, China's parliament, empowered a yet-to-be-appointed group to establish a fresh political order in Hong Kong after 1997.

The official Xinhua news agency said the standing committee of the NPC had issued a "legal regulation" to abolish Governor Chris Patten's reform package. "The last Legislative Council, city government and district board will be terminated on June 30," Xinhua said.

Since October 1992, when Mr Patten unveiled his plans for political reform, China has repeatedly threatened to reverse them on regaining sovereignty on July 1, 1997. The decision of the NPC, which was expected, puts beyond question Beijing's determination to do just that.

The Hong Kong government spokesman said that

electoral arrangements, approved by Hong Kong's Legislative Council (LegCo) earlier this year, provided the best means for developing "mature institutions" consistent both with what has been agreed with China in the past and with the aspirations of Hong Kong people themselves.

"It is not immediately apparent how disbanding representative institutions which have been openly and fairly elected can be conducive to smooth transition," he said.

Xinhua said a preparatory committee, due to come into existence during 1996, has been given responsibility for matters relating to setting up the first post-colonial government and for forming its first legislature. The preparatory committee will consist of mainland officials and Hong Kong representatives.

The NPC's action in altering the preparatory committee's terms of reference constitutes an amendment of the Basic Law for Hong Kong, passed in 1990. Throughout months of talks with Britain about Mr Patten's political reforms,

China maintained that the Basic Law could not be amended.

Hong Kong's first fully democratic elections will be held later this month when voters participate in elections for the colony's 18 district boards, or local councils. Hong Kong is decked with posters proclaiming the virtues of Liberal, Democrat and pro-Communist candidates.

Ms Marian Eisden, a consultant to the conservative Liberal Party, said yesterday that most participating in the elections had accepted that there would be a change in 1997 when China takes over. "They are amazingly pragmatic people," she said. "There is also a feeling that there will be a compromise after 1997."

Be that as it may, it is clear from the NPC's decision that the Chinese government has no intention of making life any easier for Mr Patten and the British in Hong Kong.

The optimism which surrounded the Anglo-Chinese agreement on military lands in June has given way to caution as talks about the colony's new

airport and a container port development drag on.

On the airport, talks appear to have stalled because Beijing is not prepared to sign a detailed agreement, preferring instead a general statement of support for the project. The Hong Kong government claims that tenders to the project will want to know if China approves of the financial agreements between the Hong Kong government and the two public corporations responsible for the airport and its connecting railway.

If this were not enough for Mr Patten, who returned to Hong Kong from a European holiday on Monday, he also has a number of other issues to contend with.

The Independent Commission Against Corruption is conducting an investigation into alleged corrupt practices at a recent land auction. If the commission should recommend prosecution, the government will face the unpalatable choice of charging some of the colony's leading businessmen or ducking the advice and risking Mr Patten's advocacy

of the rule of law to empty rhetoric.

The governor is also facing the prospect of a rift between his office and the civil service, the 180,000-strong body which keeps Hong Kong functioning in an efficient manner.

Mr Patten has been at odds with Mrs Anson Chan, chief secretary, over a law banning discrimination against women and school textbooks' accounts of the 1989 Tiananmen massacre in Beijing. On both occasions Mrs Chan sided with officials who sought to adopt a more permissive tone.

Observers in Hong Kong expect the gulf between UK and local officials to grow over the next three years as local Chinese officials adjust to the prospects of Chinese rule in the colony.

There is growing antagonism to Caucasians within the bureaucracy. A senior member of Mr Patten's own staff has been unable to move from Government House to another post within the senior civil service, partly due to his links with the governor and partly because he is not Chinese.

The authority said banks with accounting periods ending on or after December 31 this year will be required to disclose all transfers to and from these reserves. In addition, banks will be required to provide much more detail about the structure of their loans and deposits than they have been required to do. This will make it easier to understand the structure of bank balance sheets.

The HKMA said the colony's banks will be able to keep secret the amount

they have already salted away in inner reserves, but by disclosing the amount of the transfer to or from reserves, analysts will be able to infer the true profit position of banks.

The authority said it would review its policy on disclosure of inner reserves in mid-1995.

The Hong Kong stock exchange's listing rules will be amended to make compliance with the disclosure provisions mandatory for listed banks.

To date, only HSBC Holdings and its

listed subsidiary Hang Seng Bank, fully disclose their financial position.

Mr Herbert Hui, a stock exchange executive director, said the changes to banks' reporting would enhance considerably the transparency of local bank reporting.

Mrs Laura Cha, an executive director of the Securities and Futures Commission, Hong Kong's corporate watchdog, said the level of disclosure to be required exceeded that originally proposed by the stock exchange and SFC.

Banks' financial secrets to be revealed

Much of the secrecy surrounding banks' financial statements in Hong Kong is to be abolished, the Hong Kong Monetary Authority (HKMA) said yesterday.

The changes, which were welcomed by Hong Kong's investment community, mean that for the first time investors will know the true profits made by banks in the colony. In the past banks have been able to disguise their true position by transfers to or from secret balance sheet reserves.

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Stockbrokers on the Bombay exchange, India's largest share market, show their delight as the exchange's index passes its previous record set in April 1992. Later that month it slumped after a scandal erupted concerning illegal transactions. See World Stock Markets.

Associated Press

Japanese groups link for 'super-highway'

By Michio Nakamoto in Tokyo

Forty-five Japanese companies have joined forces to commercialise plastic optic fibre that would make laying the country's information super-highway more practical and dramatically reduce its cost.

The consortium, which includes Mitsubishi Rayon, the world's largest producer of

plastic optical fibres, NEC, Fujitsu, and NTT, aims to commercialise high-quality plastic optic fibre (POF) developed by Mr Yasushi Kojima, an assistant professor of applied science at Keio University.

The optical fibre at present in use for communications purposes is made of glass. The move could speed Japan's entry into the multimedia age.

The consortium is difficult, making the connection used for that purpose

highly expensive, according to Mitsubishi Rayon.

Plastic optical fibre, on the other hand, is easily connected, reducing the cost of connecting fibres from as much as \$30,000 (£3000) for each connection to as little as \$10.

It had been thought that plastic fibre, because of its limited transmission capacity, was unsuitable for multimedia services which call for the transmission of huge amounts of

data. The new plastic optical fibre developed by Mr Kojima has been able to overcome this shortcoming and is capable of transmitting from one to more than 2.5 gigabits of information per second, or equivalent to the amount required to send several television channels down one multimedia line.

Mitsubishi Rayon expects plastic optical fibre to serve different needs from glass optical fibre, which is likely still to be used for main trunk lines. Development of the improved plastic optical fibre has attracted US companies, with Boeing expressing interest in licensing the technology.

News of the development supported a strong rise in the share prices of companies involved. Mitsubishi Rayon, for example, enjoyed an 11 per cent increase on the day to Y472 in active trading. NEC rose Y10 to Y120.

North Korea signals move on succession

North Korea's decision to send a special envoy to China signals an imminent announcement of a new leader in the Stalinist state, diplomats and analysts in Seoul said yesterday. Reuter reports from Seoul.

North Korea said on Tuesday it was sending Mr Song Ho-gyong, vice-foreign minister to China as a special envoy.

"Song will be making the first public and official visit to Beijing by a senior North Korean official since the death of Kim Il-sung. This appears to be the completion of reshuffling in North Korea's hierarchy," an Asian diplomat said.

"He will probably ask Beijing to take steps to help consolidate Kim Jong-

Il's legitimacy," Mr Ko said.

China is North Korea's last important ally, and its blessing of the communist world's first dynamic succession is seen as vital to Mr Kim Jong-il, who lacks his father's charisma.

The Asian diplomat said China's support for Mr Kim Jong-il's leadership was particularly important as South Korea had built up an important business partnership with Beijing, diminishing the North's political leverage.

South Korea's trade ministry said two-way trade between Seoul and Beijing was expected to total \$12bn this year, up from \$9bn in 1993. Chinese figures put trade with South Korea in the first half of this

year at \$5bn, up 58 per cent on the same 1993 period, while trade with North Korea fell 21.9 per cent to \$335m.

"As this trade and investment grow North Korea's influence in Beijing wanes, especially after the death of Kim Il-sung, who knew many of China's veteran political and military leaders," a diplomat in Beijing said. Mr Kim Jong-il has rarely visited China and does not have the good personal relations with Chinese leaders his father enjoyed.

North Korea's elite must have been preoccupied with the task of restructuring its hierarchy around Mr Kim Jong-il since

the elder Kim's death.

"Now it is beginning to address the importance of its external relations," said Mr Lee Seo-hang, a director-general of the government-backed Institute of Foreign Affairs and National Security in Seoul.

Mr Song's visit could mark the first step to seek continuity of its external relations," he added.

The naming of Mr Kim Jong-il as the new communist party chief could coincide with celebrations on September 9 or October 10, the anniversary of the setting up of the ruling party.

He was last seen publicly at a July 20 memorial service for his father.

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Derivatives loss fuels call for legislation

By George Graham
in Washington

Heavy losses on financial derivatives trading by a Maryland county administration are fueling calls in the US Congress for legislation to tighten oversight of the derivatives market.

Charles County, Maryland, said its deputy treasurer had been dismissed after the county discovered a loss of an estimated \$1.3m on investments in derivatives, including mortgage-backed securities. The investments also tied up about \$27m, a quarter of the county's annual budget, in securities, which Mr Roger Fink, county attorney, says the local government was not authorized to buy.

The Maryland county has filed suit against the brokers involved in the trades to seek the return of the money invested.

Mr Henry Gonzalez, chairman of the US House of Representatives banking committee, said the losses confirmed the need for derivatives legislation, for which he has been arguing.

"How many more firms, pension funds and counties are we going to read about, losing money due to derivatives, before the Congress takes action?" he asked.

Mr Gonzalez has introduced a bill, with Congressman Jim Leach, senior Republican on the banking committee, which would stiffen bank supervisors' oversight of the derivatives market, and wants detailed drafting to get under way soon after Congress returns from recess next week.

The House energy and commerce committee has also been working on legislation which would provide tighter supervision of some largely unregulated derivatives subsidiaries of investment banks and insurance companies.

Charles County faced a cash crisis as a consequence of the trades. The county said it was having been without authority, under state law, to have bought securities with a maturity longer than 270 days. It said Mr Castro was unlikely to accept a forced resignation because it would tarnish his place in history.

"Castro is not likely to give up power voluntarily; and if he does, he might fight to the death," said the report, paid for by the office of Mr William Perry, defence secretary.

"With his regime at the point of unravelling, Castro might try to engineer a final military reckoning with the US in a *Coldterammering*-type scenario that could leave Cuba destroyed but would confirm his legacy as Latin America's staunchest anti-imperialist," it said.

Such an outcome, the study insisted, "confirms not only to the value that Castro places on struggle, intrusiveness, and defiance, but also the way he and past Cuban leaders have exalted the acts of death and martyrdom on behalf of the nation." The Cuban leader might seek a clash over the Florida Straits, which separate Florida and Cuba by 90 miles, or over Guantanamo Bay, the US naval base on Cuba's southeast shore.

His grip on power remained firm, with the Communist party apparatus, military and security organs "largely in the hands of hardline officers", the report said. Clinton administration officials have said they are not committed to ousting Mr Castro. Instead, they have tightened a 31-year-old US trade embargo against Cuba to force him towards meaningful economic and political reforms.

The Rand report concluded that such reforms were highly unlikely while Mr Castro remained in power.

Derivatives column, page 21

US middle class divided by skills, says Reich

By James Harding
in Washington

The middle class in the US is being divided by its levels of education and skills, according to Mr Robert Reich, US labour secretary.

In a pre-Labor Day speech on the state of the workforce yesterday, Mr Reich said: "The deepest divisions [in US society] aren't based on race or on national origin or on geography. They're based on the ability of individuals to make their way in an increasingly turbulent society."

Mr Reich said that whereas in 1979 a "middle class" male with a college degree earned 49 per cent more than one with only a high school diploma, by 1992 the college graduate was

earning 83 per cent more. Unemployment patterns, too, reflect the divergence between the skilled and the unskilled. The unemployment rate for those who completed a college education has held steady over the last 15 years at around 3 per cent. The level for those who did not finish high school, however, has jumped from 7 per cent in the 1970s to 12 per cent last year.

Although Mr Reich said there was much to celebrate in the news that between last Labor Day and the end of July the economy had added 2.5m new jobs, he said the middle class had splintered into three groups: an "underclass" isolated from the core economy and keeping potential high-school drop-outs in education longer all help to build a new middle class, he believes.

The Rand report concluded that such reforms were highly unlikely while Mr Castro remained in power.

GREEK EXPORTS S.A.

ANNOUNCEMENT OF A REPEAT PUBLIC AUCTION FOR THE SALE OF THE ASSETS OF THE COMPANIES OF THE PIRAIKI-PATRAIKI GROUP NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., based in Athens (17 Panepistimiou Street) and legally represented, in its capacity as Liquidator, following decisions No. 1038/1992 of the Patras Court of Appeal, and 7915/92 of the Athens Court of Appeal, and according to article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 and complemented by article 53 of Law 224/94, and following instructions dated 11/7/94 from the Industrial Reconstruction Organisation (being the essential creditor of the companies of the PIRAIKI-PATRAIKI Group and authorised to make all relevant decisions in accordance with article 22 of Law 2189/1984)

ANNOUNCEMENT

repeat international public auctions with sealed, binding offers for the sale of the total assets of the following societies now under liquidation:

1. PIRAIKI-PATRAIKI PATRAS SPINNING AND WEAVING MILLS S.A. established in Patras, is a vertical spinning and weaving unit unusual in Greece for its size, high technological level and know-how and production of specialised materials. The spinning mill, weaving mill, dying installation, finishing installation etc. (totalling 713,000 cu. m.) are the main production units of the complex, covering an area of about 2000 square metres. Included in the assets for sale are the PIRAIKI-PATRAIKI trade mark and another 57 trade marks as described in detail in the offering memorandum.

2. PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A., established in Chalkida, is engaged in the production of unbleached cotton materials. The main products are the following: Garments, bedsheet, towels, curtains, tablecloths, cloth, velvet, cabot, calico. The weaving mill is considered to be the largest in Greece in terms of looms, with 182 Sulzer 153 and 78 Sulzer 110 looms installed. The company plant, totalling 104,268 cu.m. is in the Vrontou area of Chalkida (within the town of looms), on a plot of land 23,882 sq. metres in area.

TERMS OF THE AUCTION

1. Interested parties are invited to receive from the Liquidator the Offering Memorandum and draft Letter of Guarantee in order to submit a sealed, binding offer to the public notaries appointed to the auction, Mr Panayiotis V. Kokkalis, at 31 Patras & Mezzeno Streets, Patras, tel. +30-61-277-765 for the first-mentioned company, and Mr Ioannis E. Gerasimakis, at 22 El. Venizelou Street, Chalkida, tel. +30-221-233-43 for the last-mentioned company up to 1900 hours on Wednesday, 21st September 1994.

Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the stated time limit will not be accepted or considered.

2. The bids will be unclosed before the above-mentioned notaries on Thursday, 22nd September 1994 at 1000 hours, with the Liquidator in attendance. Parties having submitted bids within the prescribed time limit are also authorised to attend.

3. The sealed, binding offers must clearly state whether they refer to the total assets or to separate operational elements of the assets of the company under liquidation, the offered price and method of payment (cash or credit, the number of instalments, the time period over which the payments are to be made at a fixed interest rate). In the event that there is no mention of a) the method of payment, b) whether interest is to be charged and c) the interest rate, it will be assumed respectively that a) the amount is to be paid in cash, b) the instalments will not be subject to interest, c) the interest on the instalments is to be calculated according to the offered interest rate on annual US State bonds at the time of submission.

4. Offers shall be null and void unless accompanied by a letter of guarantee from a bank legally operating in Greece. The letter will be valid until the signing of the contract and will be to the amount of 150,000,000 drachmas for PIRAIKI-PATRAIKI PATRAS SPINNING & WEAVING MILL S.A. and 100,000,000 drachmas for PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A.

5. The Company's assets and all fixed and circulating elements that comprise them, improvements, inventories, claims, rights etc. are to be sold and transferred as is and where is, and more specifically, in their actual and legal condition on the date on which the sale contract is signed, regardless of whether the Company is operating or not. Claims of each company against the other companies of the Group are accepted and are not transferable.

6. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90, article 46a, para. 1 as in force), shall bear no liability for any legal or actual defects or for any deficiency in the particulars of the effects for sale or rights, nor for their incomplete or faulty description in the Offering Memorandum or in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.

7. Prospective buyers, hereinafter referred to as Buyers, shall be obliged, on their own responsibility and at their own expense, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 1 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.

8. The essential criteria for evaluating the offers by the Liquidator, among others, shall be the amount of the offered price, the assurance of as many as possible job positions and the business plans of prospective buyers.

9. Offers must not contain terms upon which their bindingness may depend or be vague with regard to the height of the amount offered or its method of payment or to any other essential matter affecting the sale. The Liquidator and the Creditor have the right, at their incontestable discretion, to reject offers which contain terms and clauses, regardless of whether they are higher than other offers.

10. In the event that payment is to be made on credit, the present value of the assets will be taken into account.

11. In order to secure the credit, the buyer will provide the Liquidator, on the date of signature of the sale contract, a letter of guarantee from a bank legally operating in Greece, representing 20% of the amount on credit and the interest thereon, while the balance of the amount on credit will be secured by a nullification clause and a first mortgage.

12. The offers must contain a commitment by the buyers that the plants will be kept in operation for at least five (5) years.

13. On points concerning the business plans of the buyers (job positions, height of investments, length of operation, etc.) as well as for the other terms to be agreed upon, the buyers must accept clauses and other terms which will guarantee abidance by their undertakings.

14. The highest bidder is the one whose offer has been evaluated by the Liquidator and judged by the Creditor as being the most satisfactory.

15. In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is to be paid to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.

16. The Liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to his proposal of the highest bidder. Also he is not responsible and has no obligation to participants in the auction in the event of a cancellation or nullification of the auction for any cause or reason whatsoever.

17. Participants in the auction who have submitted bids do not acquire any right and can make no demand or claim on the strength of this announcement or of their participation, against the Liquidator or the creditors for any cause or reason.

18. The buyer of the assets of PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A. does not have the right, after signature of the sale contract, to use in any way the products of the Group.

19. The transfer expenses of the assets for sale (taxes, VAT charge on the value of the moveables, stamp duty, notary fees and mortgage fees, rights and other expenses for drawing up topographical diagrams as per Law 65/1977, etc.) will be borne by the buyer. It is to be noted that with regard to the non-operational elements of the assets, the expenses mentioned in para. 13 of article 14 of Law 2000/91 and in accordance with para. 11a of article 46a of Law 1892/90 do not apply.

Supplemented by article 53 of Law 224/94 do not apply.

Participation in the auction implies acceptance of the terms of the present announcement.

For further information, interested parties can apply to the head office of the Liquidator company, GREEK EXPORTS S.A., in Athens at 17 Panepistimiou Street, 1st Floor, Tel: +30-1-3243111-115.

Castro may go to war, says report

President Fidel Castro may opt for war with the US if he is backed into a corner. A study prepared for the Pentagon and released yesterday, Reuter reports from Washington.

The study by Rand, a California research organisation, was completed last spring and anticipated the anti-government demonstrations and refugee exodus of recent weeks.

It said Mr Castro was unlikely to accept a forced resignation because it would tarnish his place in history.

"Castro is not likely to give up power voluntarily; and if he does, he might fight to the death," said the report, paid for by the office of Mr William Perry, defence secretary.

"With his regime at the point of unravelling, Castro might try to engineer a final military reckoning with the US in a *Coldterammering*-type scenario that could leave Cuba destroyed but would confirm his legacy as Latin America's staunchest anti-imperialist," it said.

Such an outcome, the study insisted, "confirms not only to the value that Castro places on struggle, intrusiveness, and defiance, but also the way he and past Cuban leaders have exalted the acts of death and martyrdom on behalf of the nation." The Cuban leader might seek a clash over the Florida Straits, which separate Florida and Cuba by 90 miles, or over Guantanamo Bay, the US naval base on Cuba's southeast shore.

His grip on power remained firm, with the Communist party apparatus, military and security organs "largely in the hands of hardline officers", the report said. Clinton administration officials have said they are not committed to ousting Mr Castro. Instead, they have tightened a 31-year-old US trade embargo against Cuba to force him towards meaningful economic and political reforms.

The Rand report concluded that such reforms were highly unlikely while Mr Castro remained in power.

Cubans risk all for better life

Pascal Fletcher reports on economic pressure to become a refugee

As talks begin in New York today on the Cuban refugee crisis even government officials in Havana admit that life has become plagued with hardships for the island's 11m people.

The chronic shortages of food and other basic goods are the result of the worst economic crisis in the 35-year history of the Cuban revolution. It followed the collapse after 1990 of preferential trade and aid links with the now defunct Soviet bloc.

While hundreds of Cubans risk their lives trying to reach the US in flimsy, home-made rafts, those who stay behind view their departure with mixed emotions.

"I'm a revolutionary and all that I have I owe to the revolution," said Mr Roberto Pérez from Havana. He was explaining why he had not joined five members of his family who, with nine others, clambered aboard a rickety half-rat, half-boat that set off this week from a beach at Cojimar, east of Havana. Their craft joined a dozen others on Monday afternoon aiming for Florida.

Mr Pérez added: "Besides, I'm 54 and black. What am I going to do over there?" Gesturing towards his departing relatives, a

sister-in-law and three teenage grandchildren, he went on: "I don't criticise them. They are young, they aspire to other things. If I were young, I would go too."

Further along the beach another elderly man was staying behind.

The dispute over immigration

is part of the wider US-Cuban conflict and will be at the centre of the talks in New York between high-ranking Cuban and US officials. Senior US officials have made clear they are willing to discuss ways of controlling the exodus of Cuban refugees, but not

at the US naval base at Guantanamo Bay in eastern Cuba or at other US detention centres. Mr Alarcón is an experienced diplomat who has faced the Americans before in immigration negotiations. He helped to negotiate a previous immigration accord in 1984, four years after the so-called Mariel "boatlift" by which about 125,000 Cubans left the island. Mr Alarcón is a staunch defender of the island's one-party political system and can be expected to resist any US demands for reforms in that area.

The Cubans hope the pressure generated by the humanitarian problem of the refugees will persuade Mr Clinton to change the policy of hostility towards Mr Castro's rule practised by successive US administrations since shortly after the 1959 Cuban revolution. This may be a vain hope, as US officials such as Ms Janet Reno, the attorney-general, have publicly blamed the refugee exodus on the Cuban leadership.

Some relief to the refugee problem may come from third nations such as Canada and Mexico, which have said they are willing to take some Cuban refugees with families already living in their countries.

Meanwhile, as the exodus of rafters continues, Cubans staying behind will wait to see if this week's talks can break the 30-year deadlock of hostility.



Four Cubans join hands this week to wade out from Cojimar towards a raft which they hope will take them to Florida

Picture: Reuters

Caricom supports Haiti invasion

By Canute James in Kingston

Neighbours of Haiti yesterday agreed to support a US-led invasion of the Caribbean republic, saying the refusal of the military leaders there to step down had closed the door to a negotiated settlement of the country's political crisis.

Mr Strode Talbot, US deputy secretary of state, and Mr John Deutch, US deputy defence secretary, yesterday attended a meeting of the Caribbean Community (Caricom) in Jamaica, to agree on the Caribbean nations' role in an invasion.

Mr Paul Robertson, Jamaica's foreign minister, said yesterday that Caricom troops would not take part in an invasion, but would be involved in a "holding operation" before the deployment of a UN mission in Haiti. Caricom's decision was a "watershed", which indicated "a sense of increasing urgency" in dealing with Haiti, said Mr Talbot.

Caribbean countries have been reluctant

to get involved in Haiti militarily, fearing domestic opposition to entanglement in a problem seen as intractable, as well as to a possible flood of refugees. But they see a holding operation as a way to address these fears.

About 300 Caribbean troops would be involved, their task being to maintain law and order before, and perhaps after, the return to Haiti from exile of President Jean-Bertrand Aristide, said a Caricom spokesman. Caricom is made up of 13 English-speaking members, but only those with standing armies - Antigua, the Bahamas, Barbados, Belize, Guyana, Jamaica, and Trinidad and Tobago - will be involved.

"As this has

THE IRA CEASEFIRE

Prize of peace in Ulster has never been closer

By Philip Stephens,
Political Editor

It may be too soon to celebrate. It is not too early for hope to displace the cynicism that has long suffocated politics in Northern Ireland.

The prospects for a permanent peace remain uncertain. But the prize has never been closer since the present round of killings started 25 years ago. The grip of history was then decisively broken.

Building a political settlement in a province where many are more frightened of peace than of war will not be easy. The misery inflicted on the people of Ulster by the mindless killings is matched only by the mutual mistrust across the sectarian divide. The habit of murder is deeply ingrained.

Nor does it take much understanding of the past to appreciate that the objectives of the IRA and of the unionist majority are as irreconcilable today as they have ever been.

After so many vicious murders over so many years, no one can be expected to take the IRA statement on trust. There was no mention of that most crucial word — permanent.

It may be that the present generation of republican leaders have given up hope of military victory. Certainly some in British intelligence share that view. History however — still an insidiously powerful force in Northern Ireland — reminds us that past ceasefires have split the republican movement. The killing has then resumed.

The IRA remains as strong militarily as it has ever been. Some of its commanders will be looking for an opportunity to resume what they call the armed struggle.

The response of the so-called loyalist paramilitaries — responsible in recent years for about half the killing in the province — will be crucial.

The Rev Ian Paisley's warning of civil war lived up to the characteristic intransigence of the hard-line Democratic Unionist leader. He is right, though, that the working-class Protestants need persuading that the price of peace has not been a weakening in Britain's commitment to the province.

Development fund stands to gain new cash

By Michael Cassell
and David Gardner

If the wheels of peace are to be partly oiled by a fresh injection of foreign finance, then the International Fund for Ireland is likely to be among the main recipients.

With reports suggesting that the administration of Mr Bill Clinton, US president, could provide up to £130m in aid, the fund — which already gets £13m a year from the US government — could soon find itself receiving extra cash.

Mr Albert Reynolds, Irish prime minister, said Mr Clinton had assured him yesterday that the US intended to work on an economic package to underpin the peace process.

At the same time, Mr Jacques Delors, president of the European Commission, said in London he would be proposing an increase in aid. He added: "The future of Northern Ireland is a matter for the Irish, but also a European matter."

The fund, which already has the confidence of the Americans and European Union nations, would provide a ready-made conduit for much of the promised additional money. It was set up in 1986 by the governments of the US and the Irish Republic and has now established itself as an engine for improvement.

Until recently US budget cuts meant the fund faced a reduction in the annual contribution voted to it by the US Congress. At the beginning of August, however, the sum was again fixed at £13m and the figure could now be raised several times over. Since 1988 the EU has contributed £15m (£12m) a year.

The fund, whose total available resources by the end of last year stood at £225m, was established by the two governments to promote economic and social advance both in Northern Ireland and in the

understandable euphoria in Dublin was not echoed in Downing Street. Mr Major's statement spoke in more measured terms of the need to confirm that this is more than a pause in the killing.

The risk is that an ambiguous ceasefire will create a rift between London and Dublin; that Mr Reynolds will be too eager to respond quickly to the IRA statement and that Mr Major will be unduly cautious.

The political compromises behind the Downing Street declaration and the search for a new constitutional framework for Ulster would then be threatened. Some in Whitehall believe that has been the IRA's game all along.

Mr Major has managed thus far to avoid a backlash from the moderate majority among the unionists by ensuring that the door of 10 Downing Street has been ever open to Mr James Molyneaux, the leader

'I do believe this is the beginning of the end. That proves to my wife and I that Tim's life may not have been lost in vain'

Colin Parry, father of 13-year-old boy killed in Warrington blast last year

of the Ulster Unionists. He has been rewarded by acquiescence, if not enthusiasm, from the leader of the province's most important political party.

It will be harder now than it has ever been to sustain that careful political balancing act. But if the IRA statement does pressurise peace, Ireland cannot rescue Mr Major's premiership.

Both prime ministers will have to take more risks. There will be many who call themselves Catholics or Protestants determined to wreck the initiative. There will be strains between London and Dublin.

The contrasting tone of the responses in the two capitals underlines the danger. The

The full IRA statement

"Recognised the potential of the current situation and in order to enhance the democratic process and underline our definitive commitment to its success, the leadership of the IRA have decided that as of tonight, August 31, there will be a complete cessation of military operations. All our military operations will now stand by.

"At this moment, the leadership of the IRA wishes to commend our volunteers, other activists, our supporters and the political prisoners who have sustained the struggle against all odds for this past 25 years.

"Our courage, determination and sacrifice have demonstrated that the freedom and the desire for peace based on a just and lasting settlement cannot be crushed. We remember those who have died for that freedom and we reiterate our commitment to our republican objectives."

"Our struggle has seen many gains and advances made by nationalists and for the democratic process. We believe that an opportunity to secure a just and lasting settlement has been created."

"We are therefore entering into a new situation in a spirit of determination and confidence determined that the injustices which created this conflict will be removed and replaced in the strength and justice of our struggle. We believe this. We note that the Downing Street Declaration is not a solution."

"A solution will only be found as a result of inclusive negotiations. Others, not least the British government, have a duty to live up to their responsibilities."

"In our desire to significantly contribute to the creation of a climate which will encourage this, we urge everybody to approach this new situation with determination and patience."

Mr Major's statement

"The Downing Street Declaration is a significant opportunity for peace, can be a permanent step in violence and offers a historic opportunity for all to play a major part in the future politics of Northern Ireland."

"The IRA have declared a complete cessation of military operations."

"I am greatly encouraged by the IRA's statement to clear that this is indeed intended to the cessation of violence, that is to say, no more."

"We have many options open. I hope we are genuinely and sincerely committed to a political process and sincerely hope that the IRA will now be prepared positively, as we said in December."

"Let words now be reflected in deeds."

In his understandable enthusiasm to ensure that the chance of peace is not lost, Mr Reynolds must be careful to ensure that reassurances to the nationalists offered by London are not undercut by nationalist triumphalism in Dublin.

Every step for the next few weeks will be an awkward one. There are ways in which the British government can respond quickly to the cessation of violence — by lifting the broadcasting ban on Sinn Féin, by changing the pattern of policing in Northern Ireland — which involve few risks.

But it cannot allow the slightest hint that its actions are being driven by the threat

of a resumption of IRA killing. Mr Major and Mr Reynolds must move quickly to finalise the outline plan for a political settlement they have been promising since early summer.

The shape is clear — dilution of the republic's constitutional claim to Northern Ireland, changes in Britain's 1920 Ireland Act to enshrine the principle of consent, a devolved Northern Ireland assembly and new cross-border institutions to build trust between north and south.

It is talk on this document that Sinn Féin will be invited to join in, say, two or three months' time the IRA has proved its good intent.

You do not have to search too hard around Westminster to find those confident that even if the process gets to far, the nationalists' demand for a united Ireland and the determination of the Protestant majority to sustain the union will quickly restore the familiar deadlock.

History is on the side of the cynics. But this time there is a decent chance the future will not be a prisoner of the past. The police said yesterday that 3,168 people had died in the sectarian terror which has engulfed Northern Ireland for 25 years. Maybe, just maybe, that is enough even for the IRA.

But his exhortation to "let words now be reflected in deeds"

Next step hangs on the missing word

By David Owen

The ceasefire is complete — but is it permanent? On that question yesterday hinged what happens next in the Northern Ireland peace process.

When it flashed on to news screens at 11.54 am, the IRA's 212-word statement contained many fine phrases and much ground for optimism.

But it pointedly avoided committing the organisation to the permanent cessation of violence.

It might seem churlish to quibble over semantics on one of the most historic days in the province's recent history. But IRA leaders must have known that their statement would be judged by many on the basis of whether it committed them to a permanent ceasefire.

It seems inconceivable, therefore, that the word's exclusion was not carefully judged and deliberate. This was certainly the view of unionists, who quickly warned that the statement did not fulfil the two governments' terms.

Mr James Molyneaux, the Ulster Unionist party leader, said bluntly it could not "trigger" the countdown of the three-month period within which London has promised to enter preliminary dialogue with Sinn Féin in the event of a permanent end to violence.

It is crucial that Mr Molyneaux stays on board if the revitalised peace process is to stand any chance of success.

Mr John Major's initial response to the statement, first circulated about lunchtime, was somewhat ambiguous. "I am greatly encouraged by this, but we need to be clear that this is indeed intended to be a permanent renunciation of violence," he said, implying that the clock would not start ticking without clarification from republican leaders.

If they are genuinely and irreversibly committed to use only peaceful and democratic methods in the future, then we shall respond positively. But his exhortation to "let words now be reflected in deeds"

deeds," suggested it might be acceptable for the clarification to take the form of an extended period without violence.

Sir Patrick Mayhew, Northern Ireland secretary, later aligned the government firmly with Mr Molyneaux, however, saying that the question of permanency did have to be resolved before the government would consider that the three-month period had started.

This is so important a matter that it ought not to be left at large or able to be the subject of a debate and argument," Sir Patrick said.

His words appeared to open up daylight between the government's stance and the position of Mr Albert Reynolds, the Irish prime minister, who said he thought IRA violence was permanently finished.

It also opened the prospect of a period of cat-and-mouse politics involving the two governments and republican leaders, similar to that which followed the Downing Street declaration.

Under the timetable set out by the government, preliminary talks would begin with Sinn Féin within three months of it receiving the assurances it requires. This would have three purposes:

- To explore the basis on which Sinn Féin would be admitted to an "inclusive political talks process";
- To exchange views on how Sinn Féin will be able in the event of a permanent end to violence.
- To examine the practical consequences of ending violence.

These practical matters would be expected to include the handing in of IRA weapons, the treatment of IRA prisoners, the question of security and the broadcasting ban on Sinn Féin representatives.

Some ministers believe the ban no longer serves any useful purpose and should be lifted as soon as possible.

On troop deployment, the government is expected to emphasise that the responsibility of military commanders. But a reduction of troop strength in response to a reduction in the perceived threat of violence has not been ruled out.

Markets show first flicker of positive response

By Tim Coone in Dublin
and Will Lewis in Belfast

The first flicker of a positive response by the markets to the IRA ceasefire came yesterday as several Northern Ireland companies made gains on the London Stock Exchange.

The share prices of companies such as Northern Ireland Electricity and Ewart, the property developer, advanced by about 5 per cent to 6 per cent, against an overall FTSE index gain of 1.7 per cent.

It is obviously early days to assert that a trend is emerging from these gains, but they are indicative that business confidence in the province will grow if the ceasefire holds and that economic benefits for the province, and even for the republic, will flow from an end to the violence.

Mr Albert Reynolds, the Irish prime minister, said yesterday: "I have always believed there would be a

huge peace dividend for the Island of Ireland."

The first payments on that are expected to come from the US. Mr Reynolds talked by phone to US President Bill Clinton yesterday, following the IRA announcement, and said he believed US economic support for the peace process "is going to be very important". President Clinton assured me today that he is going straight away to work at an economic package to underpin the peace process in Northern Ireland.

Mr Dick Spring, the Irish foreign minister, is to be despatched to Washington shortly to follow this up.

The US money will boost confidence, but of far greater importance will be decisions by the business community — both local and from overseas — on whether to boost investment in the province.

An FT survey of business opinion in Northern Ireland in December last

year revealed that more than half of the 55 leading companies surveyed believed that a political settlement, arising from an end to violence, would have a very positive effect on business and economic opportunities in Northern Ireland. A further 38 per cent believed that the effect would be "fairly positive".

An additional benefit from an end to the IRA bombing campaign will be a sharp reduction in compensation costs. The Northern Ireland Office currently pays between £30m and £50m a year in compensation to individual and corporate victims of the violence.

The stationing of some 19,000 British troops in the province, and the maintenance of the RUC police force at a strength of around 12,000, imposes an even heavier burden on the Exchequer — thought to be in excess of £100m per year. In addition, there is an Exchequer subsidy to

cal about the effect of the IRA's statement on their businesses.

Mrs Jen Cheever, owner of Stevensons florists in the Shankill Road, said: "If peace comes then it may help me, but I can't see that happening."

A joint statement by Mr Doug Ryley, chairman of the Confederation of British Industry in Northern Ireland, and Mr Paddy Murphy, president of the Chamber of Commerce and Industry, said "real economic benefits" would flow from peace and creation of a stable political framework based on agreed democratic principles.

Potential benefits

included improved confidence leading to more investment and cross-border trade, the development of new products and a "more expensive approach which could mean significant new employment opportunities".

Yesterday most small businesses along the Catholic Falls Road and the Protestant Shankill Road were sceptical



Across the divide in west Belfast yesterday: Gerry Adams, the Sinn Féin leader, at a rally after the ceasefire announcement, and Catholic schoolgirls between a soldier and RUC officers on patrol

Unionist
Cautious response from UK leaders
Modest
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Unionists divided in degrees of scepticism

By Tim Coone and David Owen

The response by Northern Ireland's unionists to the IRA ceasefire will be crucial in determining how far the two governments can respond to it, consolidating it into what Dublin already believes is a permanent ceasefire.

Initial unionist reactions have been ambivalent and sceptical. Mr Jim Wilson, general secretary of the Ulster Unionist party, said the IRA ceasefire did not meet the conditions of the Downing Street declaration and "should not therefore trigger the process in which Sinn Féin could enter into exploratory talks with the British government".

Sitting across the negotiating table from Sinn Féin is "way, way down

the road", he said. If there is a permanent end to IRA violence though, and after exploratory talks between Sinn Féin and the British government, "as a democratic party we would envisage a situation in which we would talk to other democratically elected parties".

Mr James Molyneaux, leader of the DUP, emerged from an hour-long meeting with prime minister John Major at Downing Street to say that he did not think the IRA's statement was sufficient to start the clock ticking in the lead-up to talks between London and Sinn Féin.

"I hope those who have influence with Sinn Féin/IRA will be able to take the next step and make it permanent," Mr Molyneaux said.

In a message to loyalist paramili-

ties, Mr Molyneaux said there was "no justification or excuse for violence on the part of anyone."

The hardline Democratic Unionist party has been predictably apocalyptic in its response. Mr Ian Paisley, the DUP leader, was earlier this week warning of a "civil war" if the IRA ceasefire involved a deal with the British government.

Mr Gregory Campbell, a DUP councillor from Derry, said: "The IRA is replacing violence as a means of achieving its aims, with the threat of violence. Does anybody believe there has been no deal? We await with great interest what the British government has agreed to do in return."

The DUP remains steadfastly opposed to talks with Sinn Féin at any stage in the peace process, and has refused to enter round-table talks even with the other parties in the province unless the Downing Street declaration is rescinded.

With the prospect of inclusive round-table talks still some way off, of immediate concern for the politicians and the security forces in Northern Ireland is whether there will be a backlash from the loyalist paramilitaries which could undermine the IRA ceasefire.

The Combined Loyalist Military Command, the umbrella group for the two main protestant paramilitary groups, the UVF and the UFF, appears to be waiting to see what happens. In a statement yesterday it said: "We will not be dancing to the Pan-nationalist tune," and added: "Is

our constitution being tampered with or is it not? What deals have been done? End the speculation. No further comment will be forthcoming from the Combined Loyalist Military Command at present."

Perhaps the most encouraging signal that loyalist reaction may be restrained has come from Mr Hugh Smyth, Belfast's Lord Mayor, who is a member of the Progressive Unionist party, whose political base is in the loyalist Shankill Road area in Belfast and is considered close to the Ulster Volunteer Force.

He welcomed yesterday's "opportunity for peace" and urged the people of Northern Ireland to "grasp this opportunity because history will not treat us kindly if we throw this opportunity away, providing that

there is no sell-out. I believe we should all work now for peace, stability and political progress through reconciliation."

He described Republican aspirations for a united Ireland as "legitimate" as long as they are not pursued by violent means.

The key issue facing unionist leaders in the weeks ahead, therefore, will be whether they can bury their differences to confront what is now likely to emerge as a powerful nationalist alliance with agreed negotiating goals, between the mainly Catholic SDLP and Sinn Féin in Northern Ireland, backed by Fianna Fail and Labour in the government in the Republic. Failure to do so may well see a further erosion of unionist aspirations.

Clinton hails start of 'new era'

By George Graham
in Washington
and David Gardner in Brussels

US president Mr Bill Clinton yesterday greeted the IRA's ceasefire as a "watershed announcement".

The European Commission also hailed the breakthrough and said it would step up its efforts to aid the province.

Mr Clinton said: "While much work remains to be done, the IRA's decision to join the political process can mark the beginning of a new era that holds the promise of peace for all the people of Northern Ireland."

In a statement from the Massachusetts island of Martha's Vineyard, where he is on holiday, Mr Clinton said he hoped the ceasefire would lead to something more permanent.

"I urge the IRA, and all who have supported it, to fulfil the promise of today's announcement to end the use and support of violence, just as we continue to call on all parties who have sought to achieve political goals through the use of violence to cease to do so. There must be a permanent end to violence."

Mr Clinton, who spoke by telephone yesterday morning with Mr John Major, the prime minister, and his Irish counterpart, Mr Albert Reynolds, said he was "pleased that the US has been able to contribute to this process of reconciliation", and was ready to assist in advancing the process of peace.

He gave no details of any possible increase in US financial aid to Northern Ireland.

US officials are discussing a financial package, though figures have not yet been decided.

White House officials said there were no plans yet for any joint meeting of Mr Clinton, Mr Reynolds and Mr Major, but they were "aware of interest from the Irish government" in such a meeting.

Privately, some White House officials see the ceasefire announcement as vindication of their decision - overriding objections from the Departments of State and Justice, and the British government - to allow Mr Gerry Adams, the Sinn Féin president, to enter the US in February.

Mr Jacques Delors, the European Commission president, took the opportunity to stress the importance of the "European dimension".

He said he would discuss "additional financial and other measures" with the UK and Irish governments.

Mrs Pauline Green, leader of the European Parliament's largest bloc, the 198-strong Socialist Group, urged "all sections of the community in Northern Ireland to seize the historic opportunity for peace that is now before them".

Cautious response from UK leaders

By Roland Rudd and Our Belfast Correspondent

The prime minister was yesterday urged by rightwing Conservatives not to embark on constitutional talks with Sinn Féin until the IRA agreed to a permanent ceasefire.

Among Northern Ireland politicians, nationalists greeted the ceasefire announcement with delight while unionists voiced suspicion that the statement did not signal a permanent end to the IRA's terrorist campaign.

Sir George Gardiner, chairman of the 92 group of Thatcherite Tory MPs, warned of the risk of "igniting opinion in the majority of Northern Ireland" if ministers moved too fast in response to the IRA ceasefire.

Mr Andrew Hunter, a member of the Commons Northern Ireland select committee, feared it could be "a tactical ploy - a pause in the killing".

He said: "You cannot possibly sit at a table and negotiate with people who will resume killing if they don't get what they want in those negotiations - that is an impossible situation."

An indication of the potential Tory opposition to constitutional talks with Sinn Féin came with the publication of a pamphlet by Mr Norman Lamont, the former chancellor, who argued against involving Sinn Féin in talks.

Mr Lamont's pamphlet, written before yesterday's announcement, said Sinn Féin's participation in a constitutional conference would put ministers "in the position of being held responsible for the next round of terror if they do not give in to the IRA blackmail of threatening to pull out".

On the left of the Tory party Mr Peter Temple-Morris said people were "afraid of peace". Another Tory backbencher urged unionists to "seize the opportunities of peace" and break the "hated of the past".

Mr Tony Blair, Labour leader, gave a cautious welcome to the IRA ceasefire, but stressed the test would come in whether it led to a permanent renunciation of violence.

Mr Paddy Ashdown, Liberal Democrat leader, said: "If the IRA has at least realised that it cannot achieve its aims through violence then this is a very important moment for peace in Northern Ireland."

In Northern Ireland, unionist politicians said the IRA should surrender its arsenal of weapons and explosives to prove it was serious about ending terrorism for good.

But Mr John Hume, leader of the Social Democratic and Labour party, who put his reputation on the line by talking with Sinn Féin, said the ceasefire would be "welcomed by Irish people everywhere, but particularly by the people in the streets of Northern Ireland. Now we face the primary challenge which is to reach agreement among our divided people."

The Rev William McCrea, an MP from the hard-line Democratic Unionist party, said the IRA was not seeking peace but trying to blackmail the government into giving more concessions.

Dr John Alderdice, leader of the moderate Alliance party, commented that actions would speak louder than words.

Mr Terry Carlin, regional officer of the Irish Congress of Trade Unions, called on "all paramilitary organisations to halt the violence. There's a lot of work to be done in healing the wounds and the mental and physical scars of social deprivation."

A number of broadcasters, led by Mr John Birt, the BBC director-general, last night called on the government to reconsider broadcasting restrictions on Sinn Féin members in view of the ceasefire announcement.

Molyneaux holds the power of veto

By Philip Stephens

It was no accident that Mr James Molyneaux was in Downing Street within hours of the IRA's announcement yesterday of an end to its campaign of violence.

Nor was it by chance that his publicly voiced concern about the absence in the IRA statement of the word "permanent" were echoed by Mr John Major.

Mr Molyneaux, the MP for the Protestant stronghold of Lagan Valley and leader of the mainstream Ulster Unionists,

holds a veto over the prime minister's search for a durable political settlement in Northern Ireland.

Without his tacit consent, Mr Major could not have struck the political deal with Dublin which provided the essential backdrop to the IRA's decision.

Mr Molyneaux did not like the Downing Street declaration or the subsequent clarifications. But he acquiesced.

Had he decided otherwise, Mr Major - an embattled prime minister with a perilously small majority and plenty of enemies on his own backbenches - would have had to abandon the enterprise.

The same will be true now.

Assuming that the IRA is genuine in its intent, Mr Molyneaux will have a similar influence over the pace and extent of Mr Major's government's response. An eventual political settlement will depend on his signature.

Mr Molyneaux is no soft touch. One of the most experienced figures in Ulster politics - he has been an MP since 1970 and celebrated his 74th birthday at the weekend - his commitment to unionism is as strong as any in the community he represents.

Tacit but instinctively a shrewd political operator, he has survived longer than many

expected as the top of one of the roughest political environments in western Europe.

Over 15 years he has headed off several potential challenges to his leadership of the Official Unionist party, which has nine MPs. He has contained the threat to his party's position from Mr Ian Paisley's more extreme Democratic Unionist party.

He is deeply suspicious of any negotiation between London and Dublin. Like many in the unionist community, he sees no reason why the republic should have any role in discussions on the future of part of another sovereign state.

His stated preference for a political settlement has been greater integration of Ulster into the political process at Westminster - or failing that, the creation of a devolved assembly in the province with no interference from Dublin.

But Mr Molyneaux is a man of Westminster as well as of the raw politics of Ulster. He lacks the intemperate bigotry of some in the unionist community. He believes that if deals are to be made, then it is better to remain on the inside track than to join Mr Paisley in shouting from the sidelines.

Mr Molyneaux has judged so far that the interests of the unionists would not be served by derailing the process which led to yesterday's IRA ceasefire. And despite his insistence on proof of its permanence, the signs yesterday were that he is willing to acquiesce in further moves along the same road.

To his opponents in the nationalist community, Mr Molyneaux is a stubborn and blinkered man whose refusal to admit even the possibility of Irish unity will be a permanent obstacle to a political settlement. But without him Mr Major and Mr Reynolds would not have got even this far.

The day peace broke out in Downing Street, Ulster Unionist leader James Molyneaux (left); in Dublin, Irish prime minister Albert Reynolds (top) and in New York, provisional IRA leader Joseph Cahill



Photographs: Trevor Humphries, Associated Press, Reuters

Limits of republican patience may soon be tested

By Tim Coone

When the "troubles" began in Northern Ireland 25 years ago, graffiti appeared on walls in nationalist areas in Belfast and Derry saying "IRA = I Ran Away".

That taunt against the old IRA, which did not want to be drawn into sectarian conflict with Protestants, provided the rallying cry for a new generation of republicans who wanted to revive the armed struggle, largely dormant since the 1950s. The Provisional IRA split from the Official IRA and has been at the forefront of the conflict ever since.

That new generation is today's old generation, which

yesterday announced an end to its 25-year campaign with a view to joining a purely political battle for the goal of a united Ireland.

If Sinn Féin, the IRA's political wing, is unable to make political headway there can be little doubt that hardliners will begin to question the value of the ceasefire. And, if the ceasefire collapses, the position of Mr Gerry Adams as Sinn Féin's leader and prime mover of its "peace strategy" will inevitably fall into question.

And if loyalist paramilitaries think that an eventual participation of Sinn Féin in negotiations is leading to significant political concessions to nation-

als, they may well decide to escalate their own military actions to undermine the ceasefire, rather than respond in kind to it, as they are being urged to do.

The "I Ran Away" taunt could then return to haunt the leaders of Sinn Féin and the IRA, and create pressure for action in defence of nationalist communities - or in the worst of scenarios, a replay of the 1970s split that saw the "officials" enter mainstream politics and the young militants carry on the war.

There is little doubt in the minds of the security forces that the IRA is a tightly disciplined organisation. Its "active service units" operate in small

cells. Their weapons are controlled through a separate quartermaster division, and bunkered in secret sites in the republic and Ulster. The quartermasters are controlled by the IRA's ruling body, the Army Council.

The possibility of "maverick"

units rejecting the ceasefire

and operating independently of

the Army Council is minimal -

although not impossible if weaponry exists outside the control of the leadership.

The IRA is believed to have

some 700 automatic rifles, a

considerable stock of machine

guns, millions of rounds of

ammunition, 2.3 tons of Semtex

explosive, plus copious supplies

of home-made fertiliser

based explosive as well as its

own design mortars.

Senior republican officials have repeatedly stressed that the IRA and Sinn Féin leaders are moving in tandem on the peace process, and that the possibility of a rupture will not arise, either between the organisations or within them.

Some councillors from the Catholic community in Belfast,

however, believe that the IRA

leadership is prepared to call

off the ceasefire if loyalist

escalations continue.

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NEWS: UK

BT cuts prices in long-distance market

By Andrew Adonis

British Telecommunications cut the price of long-distance calls within the UK by up to a quarter yesterday, in a move likely to increase pressure on its competitors in the business market.

The reductions, which will cost BT £244m over a full year, were made within the terms of an agreement with Ofcom, the telecoms regulator, obliging BT to cut its charges by a total of about £500m in this financial year. They take effect from September 22.

Ofcom does not dictate the precise

price cuts BT must make, only their total value. The reductions are the latest in a series aimed by BT at business users, who account for a disproportionately large share of long-distance calls.

Mercury and other new entrants in the business sector earn most of their revenue by undercutting BT on long-distance call charges.

In a clear indication of its predicament, Mercury said yesterday it would be cutting business prices "shortly after" BT, but refused to say by how much.

Earlier this year Mercury briefly retained the morning peak rate for

some business customers after BT abolished it.

Yesterday's price cut involves abolishing the higher rate band for calls of 35 miles or more, which accounts for nearly three quarters of all long-distance calls made in the UK.

It follows a 20p reduction, to 25p, in the cost of calls to directory inquiries, which takes effect today at a cost of £75m a year to BT.

BT said that an average business customer, with an annual call charge bill of £431, would save £20 (4.6 per cent) after the long-distance price cut.

The average residential customer,

with an annual bill of £164, would save 26 (3.7 per cent).

The changes leave BT with about £190m worth of cuts to make before the end of the year. Analysts believe the most likely target is international calls, where BT faces increasingly stiff competition.

Mercury earns nearly half its revenue from international calls, and several new operators – including Worldcom and MFS – are competing hard for corporate international business.

Energis, a new UK long-distance operator using electricity pylons for its network, opened for business this week.

BT also announced a range of improved discount schemes for high-usage customers. Small businesses with quarterly call bills of £20 or more are the main gainers.

Mr Michael Heffer, BT's managing director, said the price cuts "were made possible by BT's £20bn investment in modernising the UK telephone network over the past 10 years".

The Telecommunications Users Association welcomed BT's price cuts, and the simplification of the tariff structure. "It will enable customers to more easily understand call costs," said Mr Bill Mieran, its chairman.

Britain in brief



Airline staff vote to strike

Cabin crew at Britannia Airways, the UK's second largest airline have voted to take strike action in support of their annual pay claim.

The 900 members of the British Airlines Stewards and Stewardesses Association – part of the Transport and General Workers Union – voted 7-1 in favour of strike action. Some 87% of the 700 who voted, supported the strike, said the union.

The union had rejected a pay offer of three per cent on basic pay with an extra two per cent unconsolidated lump sum payment.

Britannia management have agreed to talk with the union today in the presence of members of the Advisory Conciliation and Arbitration Service.

In the meantime Britannia, in volume terms the biggest charter airline in the world and a subsidiary of Thomson's Group, the holiday company, is training volunteers from other parts of the group.

The airline said it had secured more than the 400 volunteers it needed to replace striking cabin staff if they took action. Some 900 of the airline's 1,400 cabin crew belong to the union. The replacement staff are undergoing a four-day safety and emergency procedures course that will allow them to gain Civil Aviation Authority certification.

Britannia said it was confident that it could run a complete service with skeleton crews if a strike went ahead.

holdings are predominant as these farmers have benefited most from the upturn. Rises in hill land value were lowest at 10 per cent. Farmland values increased by 12 per cent in the first 6 months of the year.

N Sea licences 'fast-tracked'

The British government yesterday announced the completion of the 15th North Sea oil and gas licensing round, the first to be conducted under a "fast track" approach to ensure early exploration of the blocks on offer.

Mr Tim Eggar, energy and industry minister, said many of the successful bidders had agreed to accelerate their seismic surveys and exploration drilling to ensure any discoveries could be tied into the existing North Sea transportation infrastructure.

The six-year licences cover 29 of the 61 blocks offered last April. They are concentrated in the southern basin, a mainly gas area, and the central North Sea. Both are established production areas with extensive pipeline networks.

Amoco UK, the British arm of the US oil company, and British Gas were among the successful bidders. But Mr Eggar said he was pleased that a number of smaller companies also secured licences.

Nominations for the 16th licensing round are being considered, with an announcement of blocks to be offered expected in the autumn, Mr Eggar said.

'Reasonable' job laws urged

Harmonisation of employment laws in the European Union must "remain within reasonable limits", Mr Jacques Delors said in London yesterday.

Mr Delors, retiring president of the European Commission, said at a Trades Union Congress meeting that EU-level rights must not become an obstacle for less developed countries.

He struck a more cautious note about the European social dimension than when he spoke to the TUC Congress in 1988 and helped convert the British Labour movement to a pro-European stance.

Mr Delors, a former union leader in France, stressed that it was important to respect national diversity. He also warned that unions had often failed to stay in touch with their members' aspirations and needed to restrain wage demands.

Doubt over Swans workers

A core workforce at Swan Hunter would have to be laid off, rather than made redundant, and to forfeit entitlement to lay-off payments as a condition of continued employment, the French company wishing to buy the Tyneside shipbuilder said yesterday.

The affected workers, who under this proposal would not be made redundant in

November when Swans last

frigate was handed over, would then have to wait on lay-off to be called to work as required by its new owner, claiming state benefits when not receiving wages. Under the present company scheme, they are entitled to 68% of their earnings if laid off.

Mr Fred Henderson, who has led negotiations for Sofica/Constructions Mécaniques de Normandie on its proposed purchase of Swan Hunter, which is in receivership, said: "CMN would take on the legal obligation to pay the employees their redundancy, should they later not be needed."

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TECHNOLOGY

Information is an asset that must be guarded, says Michael Dempsey

Dangers of data overload

With a computer on every desk, information now flows freely in most commercial organisations. But according to Robert Hawley, chairman of Nuclear Electric, the state-owned UK nuclear power generator, that very access to data is proving counter-productive.

Companies are being saturated with data. Hawley is one of a growing band of industrialists who have recognised the need to control information before it can be properly exploited.

Since last October, Hawley has chaired meetings of the Hawley Committee. Taking its cue from the Cadbury Report on corporate governance, this body is dedicated to producing practical guidelines for board members when dealing with information systems.

Hawley's fellow committee members include leading figures from Smiths Industries, the aerospace and defence group, the Cooperative Bank, the Inland Revenue and the Ministry of Defence. This working party is complemented by KPMG, the management consultancy. It has been assigned the vital leg-work of trawling through British industry to establish data on the management of information. The main finding of the committee so far is that the saturation of information in business is undermining its value. Staff at all levels are overwhelmed with computerised data.

"In our attempts to make sure everybody is informed we're over-informing," says Hawley.

One way to tackle this problem is to limit access to IT systems. This might appear to fly in the face of the received wisdom of the 1980s that more databases meant better business. Hawley thinks otherwise, and has embarked on an ambitious programme to rationalise information in his own backyard.

A Nuclear Electric working group is trying to establish just who needs what information. It is currently preparing for privatisation, so any move that trims an annual IT budget of £35m and also ties into

management concerns about unlimited access to information is timely.

The executive information system blanking from the terminal at Hawley's desk is updated with market data, the organisation's daily operations and the state of play at 15 nuclear power plants. But it can only be used by 100 staff.

"When I came on board, everybody wanted it. The popular sentiment was to expand the system by 100 staff at a time. But we run the business with this information. It's one hell of an asset and now we're protecting it."

According to Hawley, not enough executives view information as a vital and risky asset, even though "the board is ultimately responsible for illegal use of data". A deluge of publicity surrounded the recent British Airways' court-room admission that staff effected illegal access to Virgin Airlines' booking data. But this case does not appear to have raised the profile of information as a critical asset to be guarded.

Hawley is keenly aware that a report of the committee's findings will only be as good as the response it generates. Will industry take the conclusions on board? Hawley hopes it will and intends to distil the committee's conclusions into a painless read.

"We're not going to produce a tome. There will be a single page containing short and simple guidelines. That should spark enough interest to get board members reading a more detailed document listing our findings."

Hawley is convinced that this is too important an issue to gather dust. "We're not studying the mismanagement of IT," says Hawley. "We are saying that information is an asset main board directors are consistently failing to recognise."

He says boards are not yet asking whether they are getting the right information. "They can easily talk about the bicycle shed question – which big computer system to install. But they miss the whole issue of management of information."

The government of Hong Kong this summer became the first outside Japan to opt for Japan's Personal Handy Phone System. Hong Kong's decision to go ahead with PHS instead of rival systems even pre-dates Japan's formal adoption of its own system.

Not that there are any doubts that PHS – the latest attempt to provide wireless personal communications at costs low enough for most people in developed nations – will begin operations in Japan early next year. Most Japanese consumer electronics manufacturers (including Toshiba, Sanyo, Casio, Mitsubishi, Nippon Denshi, Aiwa, JVC, Kenwood and Sony) have produced telephones for the new system and Matsushita has had a PHS-compatible cordless phone on the market since April.

Japan's government is developing a proposal which, if accepted by its neighbours, will make PHS the pan-Asian standard for wireless communications.

It would be hard to come up with an example of a product that has generated so much enthusiasm and national commitment so far ahead of official approval, let alone market acceptance. PHS may just turn out to be the "killer product" that Japan's high-technology industries need to disperse the clouds over the Japanese economy since the boom of the late 1980s.

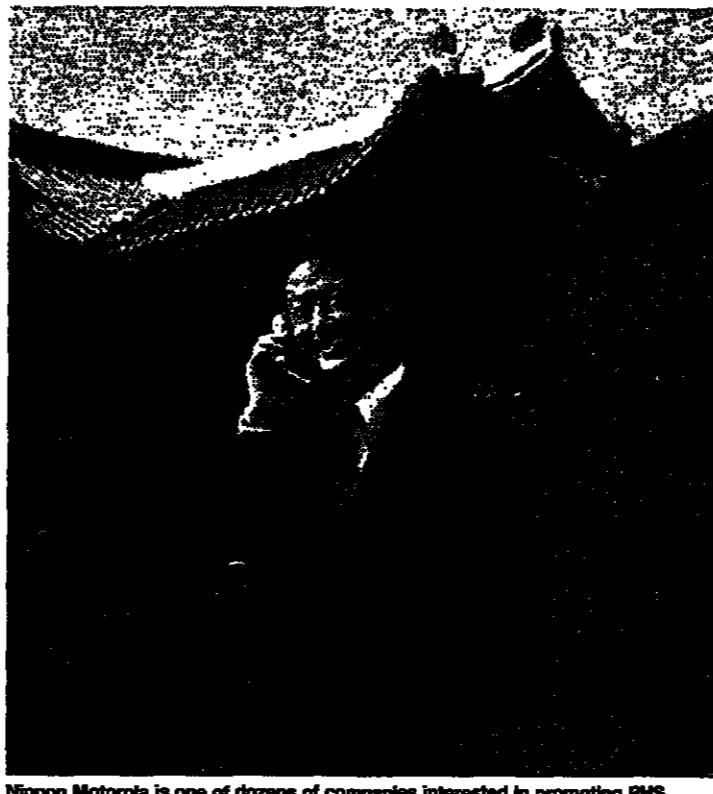
The root of the PHS concept can be traced back to the first cordless telephones of the 1970s. Dubbed CT1, these early attempts to cut the cord were limited to a range of only a few yards. But the second generation CT2 technology gave cordless telephone users a wider range of several hundred feet. PHS aims to break the constraints and allow users to roam anywhere within a few hundred feet of cell stations installed and operated by service providers.

There have been previous attempts to achieve that goal, including the Telepoint system tried with little success in the UK and Hong Kong and the Digital European Cordless Telecommunications (DECT) system.

Hong Kong's geography is particularly well suited to PHS technology, which is based on much smaller cells than existing cellular telephone systems. Countries such as the US or Australia have large areas that must either be covered with large numbers of unprofitable cell stations or left as holes in the system.

The small area of Hong Kong, on the other hand, requires a relatively small number of cells for complete coverage. Japan is aiming for only 50 per cent coverage of its population in the first five years of the PHS service.

When used near its base station, a



Nippon Motorola is one of dozens of companies interested in promoting PHS

The ability of PHS to transmit multimedia data is especially important to many areas in China and south-east Asia that lack a copper telecommunications infrastructure, let alone the "fiber to the home" that technologically advanced nations are talking about. PHS offers the potential of moving into the multimedia age using wireless technology.

But there have been some false starts. Hong Kong had an earlier, unsatisfactory experience with the Telpon system and its CT2 technology.

The Hong Kong telecommunications authority chose PHS over DECT and the American B-CDMA systems. The decision was largely based on the results of Japanese field trials that have been way in Sapporo and Tokyo since last autumn.

The Tokyo trials will finish at the end of September, but in Sapporo 95.7 per cent of male non-business users said they wanted to use a handy phone as soon as commercial service begins. Female non-business users were only slightly less enthusiastic at 97.5 per cent.

Hong Kong decided on PHS after the Japanese system was promoted by Japan's Ministry of Posts and Telecommunications (MPT) and a consortium of 28 companies including Nippon Telegraph and Telephone, DDI, Kokusai Denshin Denwa, NEC, Nippon Motorola and Sweden's Ericsson.

Hong Kong, which has already asked MPT for technical assistance in introducing the system, will be able to accommodate approximately 6m subscribers within its confined geographical area by allocating the same 1.885-1.912 MHz band that Japan will use for its system. Other technical issues such as voice transmission speed and switch specifications have yet to be decided.

Licences will be awarded to telecommunications carriers in the first quarter of 1995 and the Hong Kong service is expected to begin by late summer or early autumn. MPT hopes that Hong Kong will be the first of many Asian governments to adopt PHS.

At the end of August, the ministry set up a task force to promote the acceptance of a single wireless communications standard throughout Asia. Called the Office of Multimedia Mobile Communications Promotion, the task force will begin by establishing a multimedia mobile communications study group to evaluate the feasibility of establishing PHS as the standard.

The ministry's goal is to promote the development of a multimedia information infrastructure for Asia. Wireless technology is essential because most Asian countries are not expected to create a "hard-wired" infrastructure until well into the next century at the earliest.

Coffee and genes

After the non-squashy tomato and the slow-ripening banana, the latest product to catch the imagination of genetic engineers is the decaffeinated coffee bean.

This month, ESCAgenetics Corporation, a California biotechnology company based in San Carlos, was granted a patent covering a process for genetically modifying coffee cells. The company is now looking for a collaborator to help exploit the process.

The process involves inserting a gene from a wild strain of coffee that produces low levels of caffeine into coffee cells grown in culture. The same process could be used to produce coffee plants with better yields and increased pest resistance.

The developers hope the use of genetic engineering will be a breakthrough in the hitherto largely frustrating quest to produce naturally decaffeinated coffee. Attempts to breed decaffeinated coffee plants are complicated because coffee cells have four sets of chromosomes, making them difficult to manipulate.

The success of ESCAgenetics's process in producing decaffeinated coffee plants is as yet unproven, and putting the process to the test will be lengthy. It will take a year from the initial gene-splicing experiment to produce the first seedlings, after which it will take three to five years to produce the first crop.

The company believes that decaffeinated coffee produced by its process is likely to be cheaper than existing methods of decaffeinating coffee. It also hopes that consumers would prefer its process because of concern about chemical solvents which are sometimes used to remove caffeine from ordinary coffee.

If the process proves successful, it could potentially open up a large market. Decaffeinated coffee accounts for around a third of the coffee market in health-conscious countries such as the US.

Vanessa Houlder

Cutting the cord

Japan's handy phone system may become the pan-Asian standard, writes Robert Patton

personal handy phone functions as a cordless telephone and is billed as if it were any other home or office telephone. Out of range, however, the handy phone switches to the nearest cell station. Like a cellular phone, it can originate or receive calls as long as it remains within range of a cell station, but it cannot be used in cars and other fast-moving vehicles.

In return for that shortcoming, it enjoys two important benefits. The first is drastically reduced cost: calls can be made and received at about a third the cost of cellular services. That fact alone has led to projections that 90 per cent of the population of developed countries would subscribe to the system.

The second benefit is a very wide usable bandwidth. Unlike cellular phones, which use much of their available bandwidth to provide the fast cell-to-cell switching required for communication from moving vehicles, PHS has sufficient bandwidth for multimedia use. According to Sachin Semmota, co-founder of the DDI telecommunications company and a pioneer of PHS, the personal handy phone opens the door for small operators to compete with telephone and cable television companies that have wired infrastructure in place.

This month, a Tokyo cable operator will launch the first tests of PHS for wireless multimedia applications. Fifteen ground stations will be built for the test, connected to the Tokyo Cable Television network and then tied to the switches of the Tokyo Telecommunication Network. Other Tokyo-based companies involved in the project include Mitsubishi, Mitsui, Tokyo Electric Power and Tokyu.

GREEK EXPORTS S.A.

FOUNDER AND SHAREHOLDER: E.T.B.A. S.A.

ANNOUNCEMENT OF A REPEAT PUBLIC AUCTION FOR THE SALE OF THE ASSETS OF PIRAIKI-PATRAIKI COTTON MFG. CO. S.A. NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., based in Athens (17 Panepistimiou Street) and legally represented, in its capacity as Liquidator, following decision No. 7815/905 of the Athens Court of Appeal, and according to article 40a of Law 1892/1980 as supplemented by article 14 of Law 2003/1981 and complemented by article 53 of Law 2224/94, and following instructions dated 11/7/94 from the Industrial Reconstruction Organisation (being the essential creditor of the companies of the PIRAIKI-PATRAIKI Group and unauthorised to make all relevant decisions in accordance with article 22 of Law 2199/1994).

ANNOUNCEMENT

A repeat international public auction will be held, binding offers for the sale, either of the total assets or a whole or separate operational entities and of non-operational elements of the assets, as listed below, of the PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A., based in Athens, as of Dragouliou Street, now under special liquidation and referred to hereinafter as "the Company".

The separate operational entities and the non-operational elements for which separate offers may be submitted are:

a) Plots of land with their buildings and mechanical equipment (where such exist), as described in detail in the relevant offering memorandum of the above-mentioned company now under liquidation under the headings D.3.1 and D.3.2, as a whole or separately;

b) Urban immovables in Patras, as described in detail in the relevant offering memorandum of the above-mentioned company now under liquidation under the heading D.2.2, as a whole or separately;

c) Stock-in-hand of the above-mentioned company now under liquidation in the PIRAIKI-PATRAIKI PATRAS SPINNING AND WEAVING MILLS S.A., as described in detail in the offering memorandum under the heading D.3.1, as a whole;

d) Stock-in-hand of the above-mentioned company now under liquidation in the warehouses in Athens, Thesealiki, etc (except for the stock in the Patras complex as mentioned above), as described in detail in the offering memorandum under the heading D.3.1, as a whole. The trade marks: 1) MOUTALASKI A1200, 2) MOUTALASKI A1200, 3) PICTURE OF BULL (MOUTALASKI), 4) PICTURE OF BULL (MOUTALASKI), as described in the offering memorandum under the heading D.2.7, as a whole;

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

The PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A., based in Athens, has the largest turnover in Greece in the spinning and weaving field, buying and selling for account of the rest of the companies of the former PIRAIKI-PATRAIKI Group. It has been on the market for many years and owns a modern building complex for warehousing and distribution, built in the Varkiza area of Athens, as well as a warehouse complex in Agiosgios.

TERMS OF THE ANNOUNCEMENT

1. Parties interested in taking part in the auction are invited to receive from the Liquidator the Offering Memorandum and the draft Letter of Guarantee in order to submit a sealed, binding offer to the Athens Notary public appointed to the public auction, Mr Dimitris C. Dimitrakos, 62 Alkistis Street (1st floor), Athens, tel. +30-1-363-5520 up to 1900 hours on Wednesday 21st September 1994.

The offer must be submitted in person or by a legally authorised representative. Offers submitted after the time limit will not be accepted or considered.

2. Offers will be unsealed before the above-mentioned attorney at 1000 hours on Thursday 22nd September 1994 with the Liquidator in attendance. Persons who have submitted bids within the prescribed time may also attend.

3. The sealed, binding offers must clearly state whether they refer to the total assets or the separate operational elements of the assets of the company under liquidation, the offered price and method of payment (cash or credit), the number of installments, the time period over which the payments are to be made at a fixed interest rate. In the event that there is no mention of the method of payment, it will be assumed that it is to be made at a fixed interest rate.

4. Offers shall be valid for 12 months unless accompanied by a letter of guarantee from a bank legally operating in Greece. The letter will be valid until the signing of the contract and until the end of the year.

a) 25,000,000 drachmas for the assets as a whole

b) 50,000,000 drachmas for the stock-in-hand in the Patras complex

c) 50,000,000 drachmas for the rest of the stock-in-hand.

d) 7,000,000 drachmas for each of the remaining plots of land described in the offering memorandum under the heading D.2.1, and D.2.2.

In the event of an offer for the purchase of more than one of the above items, the letter of guarantee should be to amount equal to the total of the amounts set for each item.

6. The Company's assets and all fixed and circulating elements that comprise them, immovables, movables, claims, rights etc. are to be sold and transferred as is and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not. Claims of each company and other connected companies of the Group are rejected and are not transferred.

8. The Liquidator, the Company and the relevant representative of the liquidation will not be liable for any damage or loss that may occur to the assets of the Company in the event of fire, flood, lightning, etc. or any other natural disaster, or to the assets of the Company in the event of an act of God, or any other event that may affect the assets.

7. Prospective buyers, hereinafter referred to as Buyers, shall be obliged, on their own responsibility and at their own expense, to inspect the object of the sale contract and, in accordance with the provisions of Law 1892/90, article 40a, para. 1 as in force, shall bear no liability for any damage or loss that may occur to the assets of the Company in the event of fire, flood, lightning, etc. or any other natural disaster, or to the assets of the Company in the event of an act of God, or any other event that may affect the assets.

8. The essential criteria for evaluating the offers by the Liquidator, among others, shall be the amount of the offered price, the assurance of as many as possible job positions and the business plans of prospective buyers.

9. Offers must not contain terms upon which their binders may depend or be vague with regard to the height of the amount offered or its method of payment or to any other essential matter affecting the sale. The Liquidator and the Creditors will be secured by a letter of guarantee from a bank legally operating in Greece, representing the amount of the offer.

11. In order to secure the credit, the buyer will provide the Liquidator, on the date of signature of the sales contract, a letter of guarantee from a bank legally operating in Greece, representing 20% of the amount of the sale credit and the interest thereon, while the balance of the amount on credit will be secured by a notarised clause and a first mortgage.

12. Any changes that may occur to the stock-in-hand until the sales contract is signed will modify the sales price accordingly and their estimation will be made on the basis of fixed principles of stock pricing. For this reason, offers must state which part of the total sales price refers to the value of the stock-in-hand.

13. The highest bidder is the one whose offer has been evaluated by the Liquidator and judged by the Creditors as being the most satisfactory.

14. In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relevant contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of the liquidation.

15. Letters of guarantee accompanying the offers of other bidders, except the highest bidder, will be returned to them immediately after the adjudication of the auction which occurs with the signature of the relevant sales contract.

16. The Liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to his proposal of the highest bidder. Also he is not responsible and has no obligation to participants in the auction in the event of a cancellation or nullification of the auction for any cause of reason whatsoever.

17. Participants in the auction who have submitted bids do not acquire any right and can make no demand or claim on the strength of this announcement or of their participation, against the Liquidator or the creditors for any cause or reason.

18. The buyer of the assets of the PIRAIKI-PATRAIKI COTTON MANUFACTURING CO. does not have the right, after signature of the sales contract, to use in any way the PIRAIKI-PATRAIKI name nor the trade marks under which the Group's products are sold.

19. The transfer expenses of the assets for sale (buses, VAT charges on the value of the immobiles, stamp duty, notary fees and mortgage fees, rights and other expenses for drawing up telegraphic diagrams as per Law 651/1977, etc) will be borne by the buyer. It is to be noted that with regard to the non-oper

MANAGEMENT: MARKETING AND ADVERTISING

Alan Cane on a Japanese printer campaign in which environmental concerns have lost out to cost

Putting price before conscience

Kazuo Inamori, founder and chairman of Kyocera, the Japanese high-technology ceramics company, is an iconoclast with a reputation for promoting tomorrow's orthodoxy today.

This year, however, he has been forced to abandon advertising based on the environmentally sound qualities of Kyocera printers in favour of a punchier cost of ownership campaign. "Green" is not yet the colour of the month for hard-headed office equipment buyers, it seems.

Inamori's far-sightedness is legendary. A decade ago, he was the first to exploit the opening of Nippon Telegraph and Telephone's telecommunications monopoly, setting up a carrier which has become the leader among Japan's new public telecommunications operators.

He has overseen Kyocera's

will introduce a four-page-a-minute model which it hopes will double its market share.

In seeking to expand further, however, it faces fierce marketing challenges, among them, overcoming the power of a spectacularly successful brand. HP sets the pace in the computer industry. It is a byword for quality electronics and the name is essentially synonymous with laser printers. Customers ask for HP printers without going into the competitive differences between machines. And dealers, selling a commodity product with a low-profit margin, find little incentive to promote other makers' offerings. It is, according to Philip Murphy, general manager of Kyocera Electronics (UK), a "self-perpetuating commonplace" which works to the disadvantage of HP's competitors.

Printer technology, furthermore, is not intrinsically exciting to customers looking only for convenience and reliability. HP's machines are powered by laser technology licensed from Canon of Japan. Kyocera has a competitive technology which uses light emitting diodes. Both technologies involve "writing" on a rotating drum which, in turn, transfers electric charge to paper to attract toner in the shape of the characters to be printed.

Kyocera's "green" campaign, launched last November at a world cost of about £5m, exploited the fact that the laser printer drum mechanism - the cartridge - is designed for disposal. When the toner runs out, the cartridge must be replaced. There is a saving on maintenance costs at the expense of the price of a new cartridge.

Manufacturers of laser printers receive a steady income from the sale of these consumables. And the cartridge has to be disposed of. Kyocera says that by the end of 1994, laser printers will have used 300m cartridges - a new variety of noxious, non-biodegradable landfill" its advertising claims. Its own machines, it says, simply have to have their toner replenished.

"How to save the world from

your office" was the slogan Kyocera used to advertise its Ecros range of printers. Even at street prices they work out more expensive in capital cost than their HP equivalents: "You should tell your customers there is no greater investment than saving the Earth," Inamori told his senior managers. The campaign was aimed at increasing awareness of the Kyocera brand. But the business world is clearly not yet ready to embrace greenness as a criteria for print purchases. "Perhaps next year" was a typical response from potential customers.

This spring, with the slogan "the page printer that prints money", Kyocera in the UK switched to a new campaign based on data collected by Context, a London-based marketing consultancy. Its analysis suggests that over the life of a printer, the

The market may have to go through some re-education if Kyocera is to get its message across

cost of consumables - paper, toner, new cartridges - is more significant than the purchase price.

It concludes: "Kyocera is able to lead the field in terms of overall cost of ownership through its adoption of a long-life developer and drum assembly unit which has a life of 300,000 pages." Kyocera claims costs of 0.5p a page compared with 1.5p a page for competing systems. Its rivals disagree.

Will this latest campaign be successful? The photocopier market is familiar with the concept of cost per page but it is new to the printer business. Most companies neither know nor measure their printing costs. And different managers may be responsible for capital spending and spending on consumables. The market may have to go through some sharp re-education if Kyocera is to get its message across.

Even before the great soap war erupted this summer between Unilever and Procter & Gamble, the two companies were together expected to spend more than £75m in 1994 advertising and promoting their Persil and Ariel brands in the UK.

That is more than last year's total annual sales of Britain's 26th biggest grocery brand, Felix catfood. On its own, Persil's 1993 marketing and advertising expenditure of around £38m was equivalent to the total supermarket and high street grocery sales of Cadbury's Dairy Milk chocolate, and Ariel's £35m to the total grocery sales of Schweppes mixers.

Such can be the cost of maintaining and refreshing a top grocery brand - a cost which is making it prohibitive even for many household names to sustain their special place in consumers' hearts by using traditional marketing strategies.

Economies of scale are making life hard even for medium-sized brands. The average cost of maintaining a top 10 brand last year was £15m, about 7 per cent of sales. But for the top 70 as a whole it was 50m, more than 10 per cent of sales, according to a new study by Added Value, a marketing consultancy. For the first time, its research estimates both advertising and normally hidden "below the line" expenditure figures. The latter covers direct marketing, sales promotion, trade promotions and public relations.

"Many brands have an uphill struggle to enter the mainstream," comments Rahul Sen, a manager at Added Value. "If they can create a critical mass then the ratio of advertising and promotion expenditure to sales falls rapidly. But if the marketing is not quite working, the ratio becomes very high."

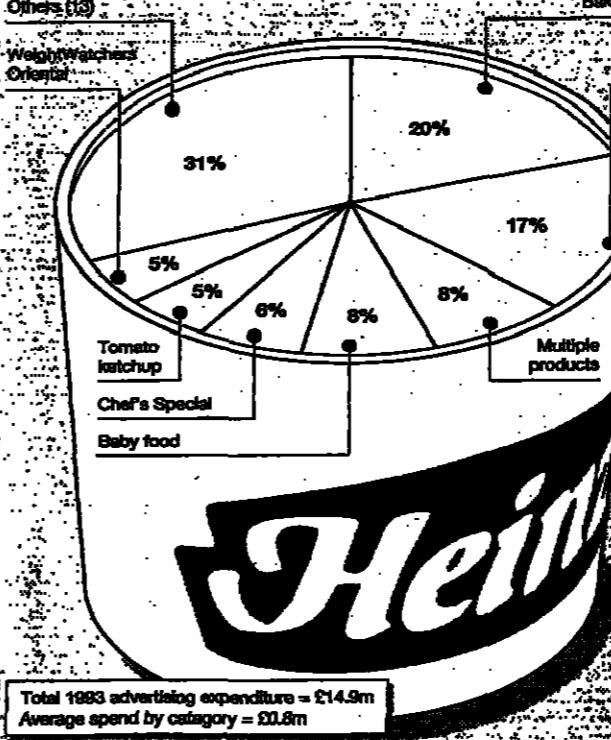
Sen suggests that marketers in many categories of product are too influenced by competitors' expenditure and advertising patterns, rather than concentrating on what is needed to build a credible overall presence. Only a few can afford to create that presence on television, he adds: "The question is what happens to the rest. A lot of small brands will die."

Sen's gloomy predictions are backed by as yet unpublished research conducted by OC&C Strategy Consultants earlier this year. For one of the top-10 food companies, the marketing costs of a typical food product launch - currently running at an average £2m - will take 2 per cent of operating profits, says Michael Jary, OC&C director. But for a company ranking 31-40, they will account for 27 per cent of profits. For one between 51 and 60 they will gobble up 84 per cent.

"Escalating marketing costs suggest that fewer products are getting

Heinz's problem: too many brands

Allocation of advertising expenditure by category



Source: Added Value, Marketing Database

cutting their tail-end brands off," comments John Brady, head of the consumer goods and retail practice of McKinsey, the management consultancy. This, he points out, is "emotionally a very hard thing to do. But if you assign all relevant costs - not just advertising and promotion spends - you often find they are losing you money".

Now, however, some marketers are realising that even the synergies generated by portfolio rationalisation and classic umbrella branding may no longer be enough. Next month, for example, the first corporate brand-building campaign for Heinz should appear on Britain's television screens. Heinz has decided to withdraw all product advertising from television to concentrate its resources on direct marketing. Television will be for the corporate brand alone.

This is not because the company is now a rumoured takeover target, but because of the more mundane dilemma highlighted by Added Value's research. With an advertising budget of £15m, Heinz had an average of just £0.8m to support each of its leading categories, such as baked beans, soups, baby foods and ketchups. It would have been "a Herculean task" for Heinz to support its 350 separate variants on television, agrees a spokesman. "There was no way we could do it. We reached a point where it was time for us to review our whole marketing strategy."

Heinz's rethink and Added Value's research suggest that for those many brands whose total sales struggle to keep pace with the marketing spend of "power brands" such as Persil and Ariel, more such "put-up or shut-up" decisions will have to be made.

Comments Roger Bamford of the Boston Consulting Group. "Most companies are reappraising their brand portfolios as a consequence of the cost of maintaining their brand presence. Many are beginning to include private label production [for retailers] in their plans."

That is the shut-up choice. The put-up alternative? Says Sen: "If you have classical television-led brand management and you only have £1m-£2m to spend, you are likely to lose. So you have to look at non-conventional methods to avoid the costs of entry." Heinz has chosen a database marketing route.

Müller, the sensation of the UK yogurt market, forced its way into the branded goods charts by ploughing its marketing budget into distribution - offering retailers margins they could not refuse, notes Jerry.

As the cost of branding combines in a pincer movement with rising retailer power, more grocery brand marketers will have to develop similarly innovative strategies.

A costly presence

Alan Mitchell looks at new research into the price of promoting and maintaining brands

sufficient support during launch to create a defensible franchise," says Jary. "You don't have to be too far down the league before you can't launch a new product."

Companies have already developed branding and marketing strategies which respond to these cost pressures. For example, all commercials for Cadbury chocolates carry the corporate name; the budget is then evenly spread across selected brands, including Crunchie bars. Others, such as Bournville chocolate, are not advertised at all.

Marketers at Unilever's Birds Eye Walls subsidiary now have a strict umbrella branding policy whereby

all the company's advertising is designed to enhance the standing of its various sub-brands, and all new product advertising is equally designed to "freshen" the Birds Eye image. Says John Sharpe, Birds Eye Walls' chairman: "With the costs of supporting and developing a brand you have got to look for the best synergies." Even so, he adds, "we are definitely removing support from certain products to concentrate resources on priority brands, and we are also having to rationalise our product range".

"Most companies just cannot afford to keep their whole load of brands fresh, so they are trimming,

PEOPLE

World Bank's new spin doctor

Mark Malloch Brown, 40, a former journalist on *The Economist*, has been given the job of repairing the image of the Washington-based World Bank, which is celebrating its fiftieth anniversary this year.

A British national who created and edited *The Economist Development Report*, he has been appointed director of external affairs, reporting to World Bank president Lewis Preston. He replaces Alexander Shakow who becomes senior adviser in the Bank's operations policy department.

The Bank has come under increasing attack over the last

Northern Leisure selects managing director

Clive Preston, 55, has been appointed managing director of Northern Leisure, the Preston-based group which is recovering from a period of over-expansion and heavy losses.

Preston, who joined the group in 1980, is currently the operations director.

In his new role he will run the group on a day-to-day basis and take some of the weight off the shoulders of Nicholas Oppenheim, the group's vice chairman. Oppenheim had got to

more heavily involved in the company's affairs after it ran into trouble and has helped oversee the slimming down of the business and its refocusing.

Robert Wickham, 51, a former general manager of the Bank of Scotland, has also joined the board as a non-executive director.

Graham Massey, 39, who runs the group's bowling centres, has also been appointed to the board.

Salomon's equity drive

Salomon Brothers is continuing its push into the European equity business by moving David Karat, head of the firm's European fixed-income capital markets group, over to lead its UK corporate finance team.

Karat is the archetypal investment banker. The 42-year-old, who started out as a lawyer with Slaughter and

May, is seen as one of Salomon's main "business-builders" because of his success in restoring the firm's reputation in the primary fixed-income business following the US Treasury auction scandal in 1991.

Karat will be replaced by Richard Boath, who followed him to Salomon from Merrill Lynch.

GARETH GRIFFITHS

Gareth Griffiths, who died at the age of 40, joined the industrial reporting side of the Financial Times in 1978 and later went on to make his mark in a wider field.

After grammar school in Wales and Jesus College, Oxford, he joined Thomson's regional papers in Wales and then the Liverpool Daily Post.

At the FT, he helped develop the paper's coverage of social affairs.

In 1984 he decided to study law, and was called to the Bar in 1988.

But a summer relief job with the public relations agency Carl Byrd persuaded him to pursue a career in PR, first with Sandwick and later for a short time with Burson-Marsteller, before successfully branching out on his own.

He acted for such blue-chip names as Dalgety, Booker and the Oxford University appeal.

Recently, he had decided to read for holy orders and was to have entered St Michael's College, Llandaff, next month to undertake the long road to ordination in the Church of Wales.

CONTRACTS & TENDERS

PEMEX-REFINACION PUBLIC INTERNATIONAL TENDER PR-SPD-230894

PEMEX-REFINACION, The Mexican National Oil Agency invites all the companies or consortiums wishing to participate in the bid for the "EPC" contract delayed coking unit and associated gas plant in the refinery "Ing. Hector R. Lara Sosa" located at Cadereyta, N.L.

Information related to this project is available from:

PEMEX-REFINACION

Subdirección de Proyectos de Desarrollo

Bahía de Santa Barbara 176 2o. Piso

Col. Veracruz Anzures

11590 Mexico, D.F.

Tel: (525) 260-65-04

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ARTS

THE HUDDUCKER PROXY (PG)
Joel CoenWHEN A MAN LOVES A WOMAN (15)
Luis MandokiTHE SLINGSHOT (12)
Ake SandgrenBOSNIA!
Bernard-Henri Levy

If you can imagine *Death of a Salesman* gift-wrapped for Christmas by Frank Capra - and I sympathise if you cannot - you will have an idea of *The Hudsucker Proxy*.

The film-making Coen brothers, writer-director Joel and writer-producer Ethan, have long been threatening to make an overblown, under-conceived movie. *Blood Simple* was a modest but punch-packing murder thriller, *Raising Arizona* was a slight but funny baby-napping comedy, *Miller's Crossing* was a rich, labyrinthine, intermittently barny tale of American-Irish gangster wars. Then came *Barton Fink*, stylish, bloated, loved by the French and beginning to hint at major vacuity. Now we have *The Hudsucker Proxy*, a whimsical enigma in which the brothers' whole creative operation seems to have been surrendered to their production designer, Dennis Gassner and his numerous assistants.

Size and show have been used to cover up the pinhead premise. Amid over-rich sets - every room looks like Grand Central Station, every actor seems to be drowning in the ochre-and-twilight light - we watch a fable of man's greedy quest for enrichment. Takeovers threaten Hudsucker Industries, New York, after the suicide of their chairman just before Christmas 1983. We see this in flashback. Waring Hudsucker (Charles Durning) waiting for take-off on the boardroom table before flying through the window.

Can his aids and next-in-line Sidney Mussburger (Paul Newman) lower the company's stock, thereby enabling the board to buy control? And might not the best way to effect that devaluation be to appoint a nincompoop as chairman?

Enter mailboy Norville Barnes (Tim Robbins), upon which everything goes according to plan. The movie's moral plan, that is, not Newman's money plan. Norville sees the stock skyrocketing with his first theoretically silly invention - the hula hoop (all resemblances to real history...) - and by the close he is announcing something even more stupid called a Metropolis.

The Coens play their capitalism-trashing fable for comedy not epic melodrama; but their simplifications still seem retarded. In this world everyone who holds power (Newman) or gains power (Robbins) becomes corrupt. "Little" ideas are the truly durable ones. And only the love of a good woman can hope to turn our hero from the path of moral degeneration. Sad, sententious, time-warped. Wake me up when the Coen brothers reach 1994.

A "turn" is what the poor actress then gives us. We feel our minds' ears being dragged through *Mr Smith Goes to Wash-*



Crunching ironies as small dreams triumph in the teeth of corporate ambition: Tim Robbins and Paul Newman in 'The Hudsucker Proxy'

Cinema/Nigel Andrews

Capitalism stuck in a time-warp

ington and *Mr Deeds Goes To Town* and *Bringing Up Baby*, as if not only were there no tomorrow but today had been forced at gunpoint to turn into yesterday.

Everything in *The Hudsucker Proxy* is

nostalgic pastiche from the coruscatingly sumptuous Khaosian music (recognisable to ex-addicts of TV's *The Onedin Line*) to the lovingly mocked-up skyscrapers embossed with giant clocks, out of *Citizen Kane* by Harold Lloyd. As for the film's David-versus-Goliath view of industrial politics, it is stuck around the year of Fritz Lang's *Metropolis*.

The Coens play their capitalism-trashing

fable for comedy not epic melodrama; but

their simplifications still seem retarded.

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(Newman) or gains power (Robbins)

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good woman can hope to turn our hero

from the path of moral degeneration. Sad,

sententious, time-warped. Wake me up

when the Coen brothers reach 1994.

Unfortunately, director Luis Mandoki

tries to push all our pity buttons without

first earning our respect. He, along with

writers Ronald Bass and Al Franken,

would have us believe that their heroine

merely catches alcoholism as she might

flu. It doesn't wash. Kicking the bottle

certainly has its heroic elements, but they

are of a different order than those found in, say, terminal cases. Ryan is at a loss to portray a character for whom hitting bottom means taking a woman down the social ladder, while Andy Garcia is equally at sea as her beleaguered spouse. Only Ellen Burstyn as Ryan's acerbic mother can inject some realistic passion into the film, suggesting that somebody might be to blame for this boozing after all.

* * * * *

The Slingshot is one of those perfectly pitched coming-of-age stories that the Swedish film industry churns out with alarming regularity. Set in 1920s Stockholm, it follows the exploits of Roland, a poor yet resourceful 12-year-old who wins friends by using the condoms his progressive parents distribute to make slingshots.

Director Ake Sandgren's touch is as light as a feather, allowing him to modulate scenes of ribald anarchy and gentle emotion without ever hitting a wrong note.

Lesser talents would have turned the prophylactic weaponry into the film's centerpiece, but Sandgren wisely keeps it just one of many arresting images of youth.

And it is a measure of the director's ironic sensibility that when Roland finally escapes poverty for his childhood paradise, his destination turns out to be a reform school.

Bernard-Henri Levy's *Bosnia!* is an old-

style polemic whose maker would like

nothing better than to have its audience

storm out of the ICA, rush across The Mall

and besiege the Foreign Office, demanding

something be done about the situation in

Bosnia. Levy spent several months in the

Balkans last year, collecting imagery too

powerful for the TV news - snipers at

work, the aftermath of bombings and

beheadings, and one unforgettable scene

of a concentration camp inmate dying of

shock after being given his first drink in

water in three days.

Levy argues that the Bosnian govern-

ment's fate is a political situation which

the west has cravenly transformed into a

humanitarian crisis. It is a compelling

point, though the director's unchecked

partisanship hinders his argument. The

Serbs are referred to as "scum" and at no

time are they asked to give their side

of the story, weak as it may be. NATO's

recent air strikes, meanwhile, undercut

Levy's accusations of western inaction.

That said, this remains a disturbing docu-

mentary that should shame everyone who

claims to suffer from compassion fatigue.

Obituary

Lindsay Anderson

Lindsay Anderson, who died in France on Tuesday, was among the small group of directors who in the 1950s and 1960s transformed British cinema from a blinkered guardian of the nation's institutions into a sharp satirical mirror of its many ills. Along with his "Free Cinema" colleagues Tony Richardson and Karel Reisz, Anderson spearheaded a national film movement which rivalled its French and American counterparts for intelligence and trenchant social analysis. Current lamentations about the sad state of the British movie industry almost inevitably point to Anderson's work as the ideal so rarely attained nowadays.

Born in Bangalore in 1923 into a Scottish military family, Anderson served with the Army Intelligence Corps in the second world war before entering Oxford, where he edited the influential film journal, *Sequence*. Upon graduation he pursued a career as a film critic for such publications as *New Statesman*, *Sight and Sound* and *The Observer*, platforms he used to rail against the conformity and anæsthesia of British film-making.

Before long, Anderson began to make films himself, cutting his teeth on a series of respected short documentaries that concluded with his Academy Award-winning *Thursday's Children*, in 1954. During this period, Anderson also distinguished himself as a theatre director at the Royal Court as well as directing five episodes of the famous *Robin Hood* series for television.

Anderson's career in feature films began spectacularly in 1963 with *This Sporting Life*, a powerful examination of celebrity and class dynamics in which Richard Harris portrayed a social-climbing rugby player. Although firmly in the tradition of the Angry Young Man school of gritty realism, Anderson's first film distinguished itself through a crisp aeneal style gleaned from his years as a documentary maker.

The director's next triumph was his public school masterpiece *H...* (1968), a quintessential study of 1960s alienation and surely one of the greatest youth rebellion films of all time. That film's star, Malcolm McDowell, was also featured in the final instalment of Anderson's informal trilogy of decay in British life, *O Lucky Man!* (1973), a technically brilliant and blackly funny account of capitalism gone mad. In all these films the rigid institutions that held British society together were subjected to a brutal analysis, while at the same time an anarchic, emotional humanity was unabashedly triumphant. Though heavily schooled in theory, Anderson was above all else a visceral, instinctive talent who came to have little time for the visual technocrats currently masquerading as the avant garde of British film-making.

Anderson's later work never quite reached the dizzying heights he achieved in his first decade of feature film-making. *Britannia Hospital* (1983), a scathing satire of the NHS, had its memorable moments, though the deftness of comic touch that marked its predecessors was missing. And *The Whales of August* (1987), Anderson's only American film, was a sentimental drama of the first order that nevertheless had little to do with the dizzying darkness of his previous work. During this period he also continued to direct for the stage and television (most recently he returned to the National Theatre last year to direct a sell-out production of David Storey's new play *Stages*) as well as to act, most notably his portrayal alongside John Gielgud of an anti-Semitic Cambridge don in *Charlott of the Firs*.

In 1987, reflecting on the controversy surrounding Powell and Pressburger's *The Life and Times of Colonel Blimp*, Anderson remarked that "perhaps the tendency is to treat the films of one's own country like its prophets - with less than justice." It is a mark of Lindsay Anderson's contribution as a director that it would be difficult for any justly-minded filmgoer to deny that his oracular, trenchant and altogether unique vision is one that remains unsurpassed in his nation's cinematic tradition.

Stephen Amidon

Stuart Hepburn and Alison Peebles



Opera gives the first of four guest performances of Tchaikovsky's *The Maid of Orleans* on Sep 22 (010-589329)

LONDON
THEATRE

● *The Devil's Disciple*: Bernard Shaw's 1897 satire on melodrama, set during the American War of Independence, is directed by Christopher Morahan. The plot features the romantic villain, Dick Dudgeon (played by Richard Bonneville), a disgrace to his family, who is driven to an act of goodness through his own innate virtue.

Previews start tonight, opens Sep 8 (National 071-928 2252)

● *Design for Living*: Sean Mathias, one of Britain's leading young directors, takes a fresh look at Noel Coward's ménage à trois who reject conventional values. The cast includes Clive Owen, Paul Rhys and Rachel Weisz. Previews start tonight, opens next Tues (Donmar Warehouse 071-389 1732)

● *The Winslow Boy*: this new production of Terence Rattigan's 1946 play marks the latest step in the Rattigan revival. Peter Beresford plays the stiff upper-lipped father trying to prove the innocence of his 14-year-old son, who has been expelled from Royal Naval College (Globe 071-494 5068)

● *The Miracle Worker*: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Wyncham 071-389 1738)

● *The Cryptogram*: Lindsay Duncan and Eddie Izzard star in

David Mamet's tantalising new play about betrayal (Ambassadors 071-836 1171)

● *Arcadia*: Tom Stoppard's complex comedy for the mind and the heart, directed by Trevor Nunn (Haymarket 071-930 6800)

● *Dead Funny*: Terry Johnson's brilliant, elegantly-acted comedy about marriage among the emotionally retarded middle classes (Vaudeville 071-836 9987)

● *She Loves Me*: the charming 1963 Masteroff, Bock and Harnick musical about two long-time pals who don't know they work in the same perfume. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8868)

CONCERTS
Royal Albert Hall The Proms continue till Sep 10. Tonight: Esa-Pekka Salonen conducts the Los Angeles Philharmonic, followed by a late evening concert by the London Sinfonietta. Tomorrow: Carlo Rizzi conducts Orchestra of WNO. Sat: Günter Wand conducts Schubert in Schubert's Eighth and Ninth Symphonies. Sun: Richard Hickox conducts Malcolm Arnold's Second Symphony and Orff's *Carmina Burana*. Mon: Andrew Davis conducts BBCSO in Boulez, Maderna and Berg. Tues and Wed: Colin Davis conducts Dresden Staatskapelle (071-823 9986)

● *The Miracle Worker*: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Wyncham 071-389 1738)

● *The Cryptogram*: Lindsay Duncan and Eddie Izzard star in

Wigmore Hall An International Festival of Song opens on Sat, with a programme featuring Barbara Bonney, Anne Sofie von Otter, Kurt Streit and Olaf Bar, accompanied by Helmut Deutsch and Bengt Forsberg. Other recitals in the series are Christian Oelz and Hans Peter Blochwitz (Sep 4), Dawn Upshaw and Bár (Sep 6), a Bonney solo recital (Sep 8), Christine Schaefer and Karl-Magnus Frederiksson (Sep 13), Jennifer Larmore (Sep 19) and June Anderson (Sep 20). The Nash Ensemble plays new chamber works by Henze on Sep 20 (071-835 2141)

OPERA
Covent Garden The Royal Opera's 1994-5 season opens on Sep 12 with a revival of André Serban's production of *Turandot*, with a cast headed by Sharon Sweet. La Cenerentola is revived on Sep 26, and the first new productions of the season are *Das Rheingold* and *Die Walküre* on Oct 13 and 14. The Royal Ballet's first performance will be the British premiere on Nov 3 of Anthony Dowell's new production of *Sleeping Beauty* (071-240 1068)

Coliseum English National Opera's new season begins on Sep 12 with a new production of *Tosca*, staged by Keith Warner and conducted by Alexander Gibson, with a cast headed by Rosalind Plowright, David Rendall and Henk Smits (071-836 9986)

Sadler's Wells British Youth Opera opens a short season tonight with Eugene Onegin (repeated Sep 2, 15, 17), in repertory with Rossini's *The Thieving Magpie* (Sep 1, 3, 14, 16). Next week is devoted to performances by Wadalko Ichiro

SETTEMBRE MUSICA
Turin's annual music festival opens on Sat with a concert at the Teatro Regio by the Vienna Philharmonic Orchestra under Riccardo Muti.

Other highlights of the festival, which runs till Sep 22, include performances by Steve Reich and Musicians, the Dowland Consort, the Royal Concertgebouw Orchestra conducted by Riccardo Chailly and the London Symphony Orchestra under

Queen Elizabeth Hall The final performances of Opera Factory's production of Nigel Osborne's *Senjoro* opera are tomorrow and Sat (071-928 6800)

DRUMMERS (071-279 8916)
Queen Elizabeth Hall The final performances of Opera Factory's production of Nigel Osborne's *Senjoro* opera are tomorrow and Sat (071-928 6800)

Michael Tilson Thomas. There will also be concert performances of Gluck's *Orfeo* and Debussy's *Pelléas et Mélisande* (011-562 0430)

WARSZAWA
This year's Warsaw Autumn contemporary music festival (Sep 15-24) offers tributes to three recently-deceased Polish composers - Witold Lutosławski, Andrzej Panufnik and Roman Haubenstock-Ramati. Anna Sophie Mutter is violin soloist (Sep 16) in a programme devoted to Lutosławski, who was for many years a leading light of the festival, and composed several pieces specially for Mutter.

Bedrock unionism survives OK



Since 1979 British trade unions have lost about a third of their members, and union strength is now concentrated in the public services. Their membership is particularly weak among women and in business sectors showing the fastest employment growth.

At the same time, union political power has been much weakened. The abolition of National Economic Development Office and other tripartite bodies has cut them out of much decision-making. And Tony Blair has clearly stated unions will not have a privileged position in relation to a future Labour government.

It is not surprising, then, that there should be a debate about whether the movement has a future, in anything like its present form.

The Future of the Trade Unions presents the case for the defence. Commissioned by the Trades Union Congress, the book is unashamed in advocating a strong future role for the unions. There is blushing praise for general secretaries. We hear a lot of John Monks and Bill Jordan but, strangely, there is no mention of Arthur Scargill (or Jimmy Knapp), though John Edmonds is allowed a few observations.

Reacting to the fall in membership he grumbles: "Working people should be queuing up to join trade unions."

But Taylor's case, though highly partial, deserves attention. He says unions have begun to put their house in order and can look confidently to the future.

His main reason for optimism is that the European Union is re-establishing a framework in which trade unions have a privileged position in policy-making. The "social dialogue" formalised in the Maastricht treaty requires the Commission to consult employers and unions on proposed social legislation. Agreements reached by the social partners can be adopted by the Council of Ministers.

When this procedure was first tried - over European works councils - it did not

result in agreement. Yet the Social Affairs Council seems likely to implement a directive establishing such councils, now called European committees, in big European companies (many with UK parents).

British unions see a re-entry point here. As Taylor says in summarising his second argument: "The EU has provided not just a lifeline for the trade unions, but the means for a potentially effective counter-offensive by organised labour for the rest of the 1990s".

His third argument is that the key to enhanced competitiveness is consensus in the workplace and unions are the path to this consensus.

It sounds persuasive. So why are most employers still unconvinced that institutionalised works councils will help their businesses? And why do many prefer routes to better communication with their workforces which do not pass through union channels?

There are two main reasons. First, UK employers note that elsewhere in Europe works councils are not exclusively union-based structures. In France, "enterprise committees" represent the whole workforce.

While union representation is often prominent, unionisation is remarkably weak. Yet many British trade unionists talk as if European works councils will re-establish unions' exclusivity. Mr Edmonds has said bluntly: "If we succeed, works councils would become our dream solution to the problem of declining trade union power."

Taylor himself points out that instances in which the trade union is the single channel of representation are not compatible with support for universal civil rights for UK workers on a Continental model. But it is not clear that the British trade union movement has yet accepted this.

Employers' second concern is that many union leaders seem still to believe the interests of employers and employees are mutually exclusive.

Taylor's own writing provides two vivid examples.

He contrasts British employers' "commitment to deregulated labour markets" with the attitude of their European mainland counterparts who have a sense of social and ethical responsibility for the well-being of their employees. Such generalisation is absurd and offensive. He argues, similarly, the decline of trade union-based collective bargaining means employers have no "need to behave in a civilised manner towards their workers". This ignores the point that well-treated, involved employees will show greater commitment to a business and be more productive.

There are unscrupulous employers against whom individual employees need protection. But most companies do not see their relationship with employees as a zero-sum game. They are keen to develop participation, and surveys show they are, overall, succeeding.

Employers are, today, not in principle hostile to unions. There is no evidence that they have forced the pace of union decline through deregulation. Indeed in the private sector union membership has fallen far faster than recognition.

And very few employers now say they have been unable to achieve restructuring because of union obstructionism.

But bad memories die hard, and have been reawakened by the behaviour of RMT, the transport union, in the rail dispute. (RMT is not mentioned by Taylor.) So employers will be reluctant to support a more prominent role in policy-making for trade unions, or Continental-style legislation, until more union leaders are ready to accept the consequences.

That means greater identification with an enterprise's success and acceptance of non-union channels. Some in the union movement, notably the TUC leadership, understand the implications of those choices. But this book shows there are many Flintstones still on the general council.

Howard Davies

The author is director general of the Confederation of British Industry.

W orld drugs groups are scrambling for position in the market for drugs that can be sold without a doctor's prescription. This week's \$2.9bn acquisition by UK-based SmithKline Beecham of the retail healthcare business of US pharmaceutical group Sterling Winthrop was the largest, but not the first in a series of deals by groups jockeying for position in the "over-the-counter" market.

But in spite of their fashionability, non-prescription pills are unlikely to prove a panacea for drugs companies troubled by slowing sales growth that has resulted from government attempts to curb healthcare costs. While some may generate long-term profits, the high costs of launching and marketing products in a competitive sector means many may fail to make decent returns.

For now, the over-the-counter market appears deceptively attractive. SmithKline Beecham estimates world sales in the market last year rose by 7.1 per cent to \$2.5bn. IMS International, the London market research company, foresees the US market should increase from \$17.4bn last year to \$24.2bn by 1997.

For drug companies, the non-prescription market offers an opportunity for growth when other areas of their businesses are under pressure. The prescription medicines sector expanded by only 4 per cent in 1993.

But it is not just the lacklustre performance of other sectors which is fuelling interest in the over-the-counter market. "The basic driving force is the need of governments to rein back healthcare spending," explains Mr Chris Weightell, strategic planning manager of IMS International. "In many cases, particularly in Europe, health ministries are refusing to reimburse the cost of drugs, forcing patients to pay for the medicines themselves over the counter," he says.

The pharmaceuticals companies are also keen to sell formerly prescription-only medicines over the counter because it allows them to extend the product-life of their drugs. This has become increasingly important for the drug groups because patients on half of the 50 top-selling US medicines will expire in the next four years.

Broker Goldman Sachs estimates that this year alone 17 drugs with combined US annual sales of \$2.6bn will lose patent protection.

That would be serious in any circumstances - in the past

1990 were worth only \$22m. A year later, after being launched as over-the-counter products, sales reached \$120m.

But in spite of the rapid projected growth for the over-the-counter market, many drug groups which want to enter the over-the-counter market do not

Paul Abrahams on why drugs companies have their eyes on the market for non-prescription medicines

Pepped up for the counter-attack



PRESCRIPTION ONLY

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But in spite of the rapid projected growth for the over-the-counter market, many drug groups which want to enter the over-the-counter market do not

Among the medicines whose patents expire soon and could, assuming regulatory approval is granted, be sold without a prescription are some of the world's top-selling drugs. They include anti-ulcer drug Zantac, Glaxo's best selling medicine, and Zovirax, Wellcome's herpes treatment and the world's fifth largest selling drug.

The sales potential of such drugs is, in theory, huge: sales of prescription products have been known to increase more than five-fold. Take Gyno-Lotrimin, a virtually unknown prescription-only drug. It is one of the top 11 over-the-counter products in the US were previously prescription-only medicines.

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consumer products group.

Yet such alliances will not guarantee sales success. Despite the growth of the total over-the-counter market, it is a tough environment. Unlike Schering-Plough's drug Gynermine, which was launched into a market with no established rivals, sales of many drugs may not exceed their pre-patent expiry prescription levels. Aleve, for example, Syntax's over-the-counter version of Naprosyn, is competing in the competitive market for analgesics (painkillers). Brokers Lehman Brothers expect it to generate sales in the US of no more than \$20m a year, compared with prescription sales of \$100m last year.

Similarly, the market for induction treatments is likely to prove exacting, with four similar new over-the-counter products being launched over the next two years. Lehman Brothers predict US non-prescription sales of SmithKline Beecham's Tagamet will reach only \$15m by 1998. That compares with pre-patent expiry sales of \$85m last year.

Even if decent sales are achieved, profitability is far from immediate. The launch and marketing costs are so high that typically products do not break-even for at least three years, says Mr Glynn-Jones.

If profits are made, margins are likely to be less attractive than in the prescription business. Boots Healthcare International, the non-prescription business of Boots, the UK retailing and pharmaceuticals group, estimates a successful over-the-counter company can achieve margins of 15 per cent. In contrast, brokers James Capel reckon a well-run drug group can achieve operating margins of 20-2 per cent.

Such sales and earnings projections, as well as the recent alliances and acquisitions, assume that prescription products will be cleared by regulatory authorities for sale over the counter - but at least in the US such clearance has proved far from automatic. The federal Food and Drug Administration advisory committee has refused to recommend, at least for the moment, SmithKline Beecham's Tagamet, Merck's Pepcid, Wellcome's Zovirax, and Upjohn's Rogaine. They have yet to be convinced the drugs would be safe and effective when sold over the counter.

In spite of relatively fast market growth, the road to profitable over-the-counter sales is far from uncertain.

German pro...
Russia with...
...the prize in Ulster

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Thursday September 1 1994

The prize in Ulster

It is still not clear that the ceasefire announced yesterday by the Irish Republican Army is permanent, a necessary condition for political talks involving Sinn Féin, the IRA's political wing. But the substance of the announcement seems unambiguous. There is a widely-held feeling on all sides in Northern Ireland that a new phase has begun, a turning away from the violence that has brought misery to nationalists and unionists alike.

That alone is cause for rejoicing. There are few parallels that can be drawn between Ulster and long-running conflicts in South Africa and the Middle East. But events in these other places show that, when all sides are committed to finding a solution, there is a momentum in the peace process that sweeps away many of the real or imagined obstacles.

That point appears to have been reached in Northern Ireland is a tribute to effective co-operation between the UK and Irish governments. Mr John Major deserves credit for placing a solution in Ulster on his list of priorities. He has made clear that Britain has no strategic interest in Northern Ireland apart from protecting the rights of its people to determine their future. He has also taken risks, most notably in conducting secret exchanges with Sinn Féin leaders. Those risks appear to have paid off, thanks to his cool determination under fire.

Mr Albert Reynolds, the Irish Taoiseach, has also been prepared to take risks. In last December's Downing Street Declaration, he acknowledged the right of the people of Northern Ireland to remain in the UK unless they decided otherwise. He also undertook to amend the claims in the Irish constitution to the north - essential in reassuring unionists.

The peace process will not be smooth. There will be those among both the republican and the 'loyalist' communities who will try to disrupt it. There may be a breakaway from the IRA, with diehards seeking to continue the

violence. The process will have to survive whatever "spectaculars" are thrown up at a time when trust may still be in short supply.

There is also the fear of betrayal among the unionist majority that must be constantly and convincingly assuaged. It was their opposition that derailed two previous attempts at constitutional settlements involving the Irish Republic.

The main Unionist party, led by Mr James Molyneaux, has sensibly accepted the assurances of the Downing Street Declaration on Northern Ireland's right to self-determination. But the Revend Ian Paisley's Democratic Unionists seem to be flirting with the idea that any peace must involve unacceptable concessions to Dublin.

Now, therefore, is not a time for complacency but for renewed efforts to maintain the momentum. Mr John Hume, leader of the moderate nationalists, advises throwing away the formal timetable for bringing Sinn Féin to the conference table. This advice should be politely turned down.

The quarantined period of three months after a permanent ceasefire is the least that will be acceptable to the unionists.

But there is scope to provide immediate benefits to all the people of Northern Ireland that will carry forward the peace process. One priority must be to scale down the military presence to the minimum level compatible with protecting all sections from毛erick terrorists. Another is to lift the absurd ban on broadcasting the voices of Sinn Féin members which has done so much harm to the UK's reputation abroad. A peace process involves a dialogue, and a dialogue is impossible if one side cannot be heard.

Finally, amendments to articles 2 and 3 of the Irish constitution to remove the unqualified claims to the north are promised as part of a final settlement. Bringing forward the changes would bolster unionist confidence. The ceasefire demands further risks on all sides to win the bigger prize of lasting peace in Ireland.

German prospect

Germany is recovering from recession. But what sort of growth will it manage in the medium term? That is the question raised by this year's excellent survey from the OECD. It is an important question, not just for Germany, which needs rapid growth to cope with the burden of unification, but for Europe.

East Germany is - and will remain - a huge burden, despite GDP growth of 7.1 per cent last year and an OECD forecast of another 9.1 per cent in 1994. This growth has only been made possible by net transfers of DM130bn (55bn), 4.6 per cent of west German GDP, last year. These transfers, which amounted to 47 per cent of east German GDP, have made it possible for exports from the new Länder to be less than a fifth of their imports. The need for transfers, which this ratio reveals so starkly, is unlikely to change in the near future.

At least the fiscal damage has been contained. The general government deficit as a share of GDP is expected to be brought down to 2.9 per cent this year. Even the overall public sector borrowing requirement is forecast at 4.6 per cent, not unreasonable in the circumstances. While the ratio of public debt to GDP will breach the Maastricht treaty guideline of 60

per cent in 1995, the OECD argues that further increases can be halted by a "combination of sustained medium-term growth and active programmes of fiscal consolidation". But, inevitably, a price has been paid. Germany's effective tax rate is higher than that of any leading industrialised country, except France.

For all its strengths, the economy may not be able to bear this burden that well. The growth of total factor productivity has slowed markedly since the 1960s; unemployment has risen cycle-by-cycle; in the 1980s, productivity in manufacturing grew at less than half the rate of the European Union as a whole; the shares of German exports in markets outside the EU have declined markedly since 1973; and wage costs seem out of line with productivity, by comparison with the US and Japan.

The German economy is, in short, showing signs of senescence. It needs to be revitalised, for its own sake and for that of the European economy as a whole. A combination of tough control over spending, lower taxation and structural reforms - privatisation and deregulation - is urgently needed. The OECD report shows the way. Will Germany dare to follow?

Russia withdraws

Yesterday's ceremonies, marking the final withdrawal of Russian troops from Germany and the Baltic states, celebrated the peaceful liberation of central Europe from the Red Army and drew a line under the second world war. History has, once again, given Russia and Germany the chief responsibility for the peace, prosperity and freedom of central Europe.

Fortunately, the Germany that has emerged from two world wars and the Cold War is a stable, democratic country firmly anchored in Nato and the European Union. Meanwhile, Russia seems committed to re-integrating itself into the world economy and repairing the damage caused by 75 years of self-imposed tyranny. The litmus test of these countries' future behaviour will be Moscow's continued willingness to honour the independence of the Baltic states and united Germany's toleration of post-war frontiers that leave most of former Pomerania and Prussia in Polish hands.

Russia and Germany have much to gain from growing economic prosperity and self-confidence in the central European and Baltic states which, all too often in the past, have been crushed by the machinations of their neighbours, acting in concert. But the greatest gainer from the decline in the

power and influence of the Red Army could be Russia itself.

Under communist rule the Soviet Union became the most militarised society on earth. The health and wealth of Soviet citizens were sacrificed in the vain effort to wear down the west. Now, at last, Russians and citizens of other former Soviet states have an opportunity to use their talents and resources to repair the environmental, economic, social, physical and psychological scars left by the ill-conceived communist experiment.

Nostalgia for the imperial past is misplaced. The decks have been cleared for Russia to concentrate on its own affairs. So far as its security is concerned, the main tasks are to keep its nuclear weapons under watchful control and to replace the sprawling conscript army of the past with a smaller, better equipped and trained professional force.

The main challenge, however, is to build an economy responsive to consumers, whose needs were neglected for decades. The old economy produced world-class rockets but terrible shoes. Russia's military withdrawal from Europe should free up the men and resources needed to shift the balance at last towards a productive civilian economy.

For Sweden's phalanx of big international companies, the recession is

in contrast to the atmosphere of crisis over the financial deficit in the country's public sector, companies such as Volvo, Electrolux, Ericsson and Saab-Scania have over the past two weeks reported a gush of half-year profits after three of the toughest years Swedish industry has endured since the 1930s.

As industry pulls out of recession, one striking feature has become clear. In spite of dire predictions to the contrary from the markets, the industrial dominion controlled by the Wallenberg family has not only survived. Mr Peter Wallenberg, dux of its fourth generation, has extended its dominance of Swedish industry to unprecedented levels and entrenched the family as one of Europe's most powerful industrial dynasties.

The core companies in the Wallenberg "sphere" (the family, which rarely has majority control of a company, prefers to call it an association of companies rather than an empire) had a combined annual turnover last year approaching SKr550bn (545.5bn). Together, these companies make up 40 per cent of the market capitalisation of the Stockholm stock exchange.

How have the Wallenbergs so strengthened their position? And as they approach a handing over from one generation to the next - with Peter Wallenberg now 68 and his son Jacob and nephew Marcus being groomed to succeed him - can they maintain their pre-eminence?

Between 1990 and 1993, the chief question was whether the empire could hold together under the pressure of recession.

Mr Peter Wallenberg, who has the world-weary look of an old campaigner, admits it was a rough period. "All in all, it put the organisation to a very tough test," he said in an interview with the FT.

As recently as in early 1993, the outlook was still grim. Investor, the holding company chaired by Peter Wallenberg which groups most of the main family shareholdings, remained burdened with debt of more than \$1bn. Core companies such as Stora, Europe's largest forestry group, and SKF, the company which invented ball-bearings, had reported losses in 1992 of SKr1.42bn and SKr1.77bn respectively.

Saab-Scania, the vehicle and aircraft maker bought out by Investor in 1991 as an anticipated source of cash flow, had seen profits slump, as had other stalwarts such as Electrolux, the world's leading household equipment maker. Skandia-vista Enskilda Banken, historically the family's financial flagship, founded in 1856, was almost swamped by bad loans that sank it deep into operating losses of SKr4.4bn in 1992.

Sceptics saw cracks in the Wallenberg edifice. Speculation was rife that a pattern of marginal disposals and portfolio reshuffles would fail to satisfy the empire's capital needs. A strategic disposal was keenly anticipated by the markets.

The subsequent transformation owed something to the change in Sweden's economic fortunes following the 25 per cent devaluation of the Swedish krona after its flotation in November 1992. But the Wallenberg companies helped by cracking down on costs, slashing as much as 20 per cent of their workforces. By the end of last year, the crisis was over with most of the companies back on a healthy profits path.

The balance sheet of Investor, the key holding company, has been transformed. Piecemeal selling of shares in a number of companies rather than the disposal of a single large stake drove down debt from SKr8.4bn at the end of 1992 to SKr1.5bn a year later. This year the group has bolstered its position further with a SKr3.45bn bid for its Export-Invest stalemate, essentially a giant share issue.

Further strengthening is likely as dividend flows into the group's coffers pick up. Bo Berggren, Investor vice-chairman and a Wallenberg lieutenant, considers "the investor balance sheet today is probably as

The family firm fights back

In the first of a series, Hugh Carnegy and Christopher Brown-Humes explore the strengths of Sweden's Wallenberg dynasty

Sweden's industrial power centres (Where acting as major or controlling shareholder)



Peter Wallenberg

Investor	1993 turnover (Skbn)	Total assets (Skbn)	Net worth (Skbn)
Asea-ABE*	210	8	107
Astra	23	15	22
Atlas Copco	19	42	55
Electrolux	100	12	12
Ericsson	63	12	12
Investor	12	12	12
Saab-Scania	28	28	28
SKF	29	59	59
Stora	59	643	643
Total	643	135	129

* Asea is half-owner of Asea Brown Boveri. Ericsson is jointly controlled by Investor & Handelsbanken.

** Retiree & Securum administer assets taken off Nordbanken & Göteborgs

Investor	1993 turnover (Skbn)	Total assets (Skbn)	Volvo
AGA	8	11	11
Ericsson	15	15	15
Frigesandia	5	5	5
SCA	33	33	33
Total	129	129	129

Investor	1993 turnover (Skbn)	Total assets (Skbn)	Svenska Handelsbanken
AGA	11	11	11
Ericsson	15	15	15
Frigesandia	5	5	5
SCA	33	33	33
Total	129	129	129

Source: Company reports

strong as it has ever been."

It was not just market conditions and restructuring that helped the family pull through. The family was able to exploit Swedish "dual-share" rules to raise money from disposals without any loss of control in the target company.

Swedish rules allow equity to be split between A and B shares with voting power heavily weighted to the former. This system has long enabled the Wallenbergs to control companies often with very little capital commitment.

Much the most significant factor in underpinning the dominance of the Wallenberg family occurred, however, at Volvo where for 20 years, Mr Peter Gyllenhammar had striven to create an industrial empire to rival the Wallenbergs.

Mr Gyllenhammar was deposed in December 1993 by a shareholder and management revolt against his plan to merge Volvo car and trucks with France's Renault. His strategy was then quickly abandoned by Volvo's new board, chaired by Bert-Olof Svahnholm of ABB and including Björn Svedberg of S&K Banken, both from the Wallenberg "sphere". Instead, Volvo decided to sell off SKr40bn of non-core investments.

The Wallenbergs, back on the offensive after the recession, moved swiftly. Within a week of Volvo announcing its strategic U-turn in the spring, Incentive bought out Volvo's controlling shareholding in Cardo, an investment group which included Gambo, a medical equipment supplier that matched the Wallenbergs' evolving focus on technology-based growth industries for future investment.

"The Wallenbergs manoeuvred marvellously over Volvo after the Renault deal collapsed," says the chief executive of one of Sweden's

top non-Wallenbergs companies. "They got Volvo where they wanted it without paying a penny and now they are carving it up."

Mr Peter Wallenberg rejects any suggestion that he deliberately sought to exploit the Gyllenhammar debacle. But it is unarguable that events since have enhanced the Wallenberg dominance.

A principal strength of the Wallenbergs has been their record in choosing skilled managers, who in turn have benefitted from having dedicated owners who understand capital commitment.

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Japan unveils Y100bn cultural project to atone for war record

By William Dawkins in Tokyo

Japan took a further significant step yesterday in its efforts to atone for second world war aggression with a pledge to spend Y100bn (41.01bn) on historical research and cultural projects to promote peace in Asia.

"It is imperative for us Japanese to look squarely to our history with the peoples of neighbouring Asia and elsewhere," said Mr Tomiichi Murayama, the prime minister, who yesterday unveiled the 10-year programme, beginning next year, the 50th anniversary of the end of the war.

However, a foreign ministry official emphasised that the handout marked no change in the policy of refusing further offi-

cial government compensation for individual war victims and their families. Japan argues that this was formally settled by the 1951 San Francisco peace treaty.

The new money is instead earmarked for the creation of a historical war document centre in Japan, vocational training centres for women in neighbouring Asian countries and youth exchange visits.

As a result, Mr Murayama's scheme is unlikely to defuse continuing claims from British and Dutch prisoners of war and Korean women forced into prostitution by invading Japanese troops.

These claims are irritants to Japan's painstakingly slow attempt to raise its profile in international affairs and to bolster relations with increasingly

valuable Asian neighbours. South-east Asia has destined Japan's largest export destination for the past three years and is its fastest growing investment location.

Three successive Japanese prime ministers over the past year have issued various statements of regret and apology in a campaign to normalise relations with Asia. Mr Murayama returned recently from a four-country Asian tour, largely devoted to trying to atone for the past.

The effect of Japan's official apologies has been spoilt by an outspoken lack of contrition from Japan's political right wing, including two cabinet ministers sacked over the past six months for trying to justify Japan's war-

time actions. Undeterred, Mr Murayama yesterday repeated apologies to women forced into prostitution and reiterated "profound remorse" for suffering caused by Japan.

He also said the government aimed to settle "as soon as possible" the plight of Koreans stranded in the Russian island of Sakhalin after the war and wages owed to Taiwanese soldiers in the Japanese army, two other constraints on Japan's relations with its Asian neighbours.

The government estimates that 43,000 Koreans, used for hard labour by Japanese forces, were left in Sakhalin when it reverted to Moscow's hands after the war. It faces 2.4m claims from Taiwanese soldiers in savings and unpaid wages worth Y600m at 1945 prices.

Kohl's smiles fail to hide Moscow-Berlin divisions

By Judy Dempsey in Berlin

German chancellor Helmut Kohl and Russian president Boris Yeltsin congratulated each other yesterday on the departure of Russian troops from Germany after a presence of five decades, but the lingering divide between the countries echoed in their speeches.

Despite the smiles Mr Kohl was determined to use the occasion to boost his re-election chances next month. He was elected in 1989 after convincing Russia it would not be threatened by German unification.

A shaky Mr Yeltsin frequently referred to the role of Russian troops in saving Germany from the "tyranny and terror" of Hitler and also to the 12m Russians who had died while ridding Europe of the Nazis.

Mr Kohl reminded the audience at the Schauspielhaus, east Berlin's beautifully restored concert hall, that it had, in fact, been "the pact between the dictators Hitler and Stalin" that removed the last barrier to the wall which the National Socialist tyranny unleashed shortly afterwards.

And he explained why he had opposed the Russians joining in next week's ceremony saying farewell to British, US and French troops from Berlin.

"Terrible harm was done to the Russian people by the Germans and in the name of the German people... but we Germans were destined to live through the painful division of our country," he said.

The blockade of Berlin, the totalitarian regime in the east of our country, the Wall and

barbed wire were a heavy and lasting burden on our relations."

Mr Yeltsin tried another tack.

He praised the Conference on

Security and Co-operation in

Europe (CSCE), a non-military organisation grouping western, eastern Europe and the former Soviet republics. This, he said was "the real forum for stability and security from Vancouver to Vladivostock".

Mr Kohl did not mention the CSCE. Instead, he said the "signed agreements between Russia and Nato on Partnership for Peace, and on co-operation with the European Union are essential building blocks for the European House."

German defence officials dutifully nodded in agreement, but the divide between the two leaders was by now painfully apparent.

Italian coalition split reopens as Bossi attacks Berlusconi

By Andrew Hill in Milan

Mr Umberto Bossi, leader of Italy's populist Northern League, yesterday reopened damaging split in the Italian government by accusing Mr Silvio Berlusconi, Italy's prime minister, of trying to cut the League out of the ruling coalition.

An agitated Mr Bossi, interviewed on television as he returned from holiday in Sardinia, also claimed that Mr Berlusconi had asked President Oscar Luigi Scalfaro for permission to hold new elections. This was dismissed by Mr Berlusconi. "I won't waste time denying nonsense," Mr Berlusconi was reported as saying. "I'll have to propose a tax on charter."

Mr Bossi's comments demon-

strate that three weeks' holiday has not healed the rift between the league leader and his coalition allies. "It's not possible to offend the league," Mr Bossi said, pointing out that he was the principal parliamentary party. "At this point perhaps we ought to give Berlusconi an abacus, if he goes on fooling himself that it's possible to throw out the league we've passed an antitrust law or a new constitution," he added.

Mr Gianfranco Fini, leader of the third main coalition partner, the far-right National Alliance, said that Mr Bossi's behaviour was "puerile".

At the beginning of August, Mr Berlusconi and Mr Bossi held night discussions to patch up their differences. The next day

they appeared on Italian television together in an attempt to demonstrate to nervous financial markets and the Italian people that there were no hard feelings between them.

In the past three days, however, Mr Bossi has been incensed by reports that he claimed to have prevented an armed rebellion by league supporters in 1986-87. Mr Bossi has blamed "anti-democratic" reporters for exaggerating and distorting his comments, and has threatened legal action against television and newspapers for spreading "disinformation".

Mr Bossi's intervention is claimed that financial markets are just recovering their poise following last month's rise in Italian interest rates.

CDU plan for EU reform

Continued from Page 1

Democrats (CDU) in the German Bundestag, and Mr Michael Glos, his counterpart in the Bavaria-based Christian Social Union, the coalition partner.

Its presentation comes just two

days after publication of an interview by Mr Edouard Balladur, the French prime minister, in which he spelt out a similar vision of a multi-speed Europe.

It is clear that the political leaders in both Paris and Bonn have decided that their ideas on the next phase of EU reform - the follow-up conference to the Maastricht treaty scheduled for 1996 - must now be brought into the open. That is in spite of the sensitivity of many of the issues involved, given the looming referendum on EU membership in Finland, Norway and Sweden.

However, the fact that both Mr Kohl's CDU and Mr Balladur are now giving their open blessing to the concept of a multi-speed Community may ironically make them vision of a "federal" Europe far more attractive to British Eurosceptics to swallow.

Mr John Major, the British prime minister, has already endorsed the idea in principle.

In his interview Mr Balladur said that enlargement to include the newly emerging democracies of central and eastern Europe would inevitably involve a degree of "diversification" in the structure of the EU, at least temporarily.

For many years, no doubt, the European structure will involve a homogeneous central core, consisting essentially of France and Germany, obeying common rules in all areas of co-operation. Around it, will be countries ruled by differing laws, depending on whether they concern monetary matters, social affairs, defence, trade relations, financial relations, or foreign policy.

Whatever the truth on that score, it is the attitude of lenders rather than shareholders that will determine the final outcome. With the property mar-

THE LEX COLUMN

Daimler revs up

Daimler-Benz has huge potential. This is not because the German behemoth has performed well in recent years but precisely because it has not. It has suffered from high engineering costs, over-staffing and a confusing mix of businesses. This means there is massive scope to turn its operations around.

The good news from Daimler's first-half figures is that the first fruits of restructuring are reaching the bottom line. There is more to come. It is not simply a matter of shedding jobs and shifting production to lower-cost locations. Daimler also needs to focus on those businesses where it can achieve global scale. Mercedes already fits the bill. Most of its ABC division, with the exception of rail systems, probably never can. Dasa, the aerospace arm, is somewhere in between. For it to be a successful global competitor, rationalisation of the European defence and aerospace industries is necessary. In a few years, Daimler could turn itself into a streamlined motor, aircraft and train manufacturer - after which one could re-examine whether it makes sense for the three divisions to be bunched together.

The big risk for investors is that management could become complacent. With demand picking up, the company may think the pressure to perform is off. Yesterday's comments by the outgoing chairman, Mr Edouard Reuter, that this year's profits would be "thoroughly satisfactory" could cause some concern. The net profit margin of 1 per cent forecast by analysts are meagre. Mr Jürgen Schrempp, the next chairman, should be aiming much higher.

Broadgate

The tussle over the future of London's prestigious Broadgate development is starting to resemble an elaborate game of poker. In addition to Rosehaugh and Stanhope, joint owners of Broadgate Properties, at least three sets of anxious bankers and an unknown number of potential buyers are involved. British Land, the most aggressive of the bidders, has already strengthened its hand by buying a 29.9 per cent stake in Stanhope itself. Talk of Stanhope's debt-challenging hands in the secondary market raises the suspicion that it, or another bidder, is trying to apply additional pressure.

Whatever the truth on that score, it is the attitude of lenders rather than shareholders that will determine the final outcome. With the property mar-

ket moving in their favour, Rosehaugh's receivers and bankers have said that they are in no mood to sell their share of Broadgate for less than a full price. Since Stanhope is under pressure to restructure its £160m (£248m) debt by the end of the year, though, the question is whether its syndicate of 15 banks is prepared to be asked to take a loss.

BT

British Telecom's latest price cuts show that the company has learnt a thing or two about marketing. Reductions have been mandated by its regulator. But Oftel determines neither the precise timing of cuts nor which services they should focus on. In the past, BT often announced a confusing jumble of price changes once a year. But the company has now woken up to the fact that the timing and focus of price cuts is important to be thrown off balance. Cutting long-distance charges by up to 25 per cent is sensible since it is a market where competition from its main rival, Mercury Communications, is stiff. The timing looks designed to spoil the launch of Energis, which opened its long-distance service only this week. Further cuts can be expected to focus on international calls, where Mercury is also strong. But BT will probably hold fire until it has a better idea of the competition it will face from a new breed of international operators and so knows how to cause the maximum damage.

BT is also becoming smarter about presenting price cuts. It now picks one service at a time and so can articulate a clear message. That is essential if it is to persuade customers, who generally think that calls are more expensive than they actually are, to use their telephones more. None of this is rocket science. But investors will be pleased that BT's marketing department is no longer in the dark ages.

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Europe today

Showery rain associated with an area of low pressure over the Benelux will affect eastern England, the North Sea, Denmark and Poland. Some rain will be accompanied by thunderstorms, especially over Denmark and Poland. North-west France will have moderate rain. Thunderstorms will develop in the afternoon in south-west France, the southern Benelux and the Alps. North-west UK, central France, Germany and south-west Scandinavia can expect a mixture of cloud and sun. It will be sunny in central Scandinavia but there will be rain and showers in the north. Eastern Europe will have only a few glimpses of sunshine.

Five-day forecast

A high over Scandinavia will move towards western Russia, allowing unsettled conditions to develop in Scandinavia this weekend. Western Europe will be affected by low pressure from the Atlantic. Rain will develop over the Benelux, northern France and southern Scandinavia. Southern Europe will remain sunny.

TODAY'S TEMPERATURES

Maximum	Sea level	Cloudy	28	Canary	Cloudy	31	Faro	Cloudy	28	Rangoon	Cloudy	29
Cloudy	40	Sunny	16	Frankfurt	Sunny	21	Geneva	Sunny	16	Perth	Sunny	11
Abu Dhabi	40	Belgrade	sun	30	Casablanca	Cloudy	24	Malta	Sunny	30	Rio	Cloudy
Acra	shower	20	Berlin	min	21	Chicago	Cloudy	sun	26	Manchester	Cloudy	26
Algiers	33	Semide	shower	32	Cologne	Cloudy	17	Gibraltar	Sunny	17	Malta	Cloudy
Amsterdam	33	Semide	Cloudy	32	Dakar	Sunny	20	Glasgow	Sunny	16	Moscow	Sunny
Athens	sun											

INTERNATIONAL COMPANIES AND FINANCE

Strong sales lift Astra in first half

By Christopher Brown-Humes
in Stockholm

Astra, the Swedish pharmaceuticals group, yesterday announced a 23 per cent jump in first-half profits to SKr1.50bn (SS11m), with strong sales growth more than compensating for a sharp drop in financial income.

The group said sales and earnings would continue to rise in the second half, although it warned that growth would be slower than last year because of a less favourable currency influence.

Underlying sales were 23 per

cent higher at SKr13.3bn, enabling the group to take further market share in its most important markets.

Star performer was the anti-ulcer drug, Losec, which lifted sales by 41 per cent, compared with market growth of around 10 per cent. Overall, Losec sales reached SKr1.4bn, up 47 per cent.

Losec, the main challenger to Glaxo's Zantac, has around 35 per cent of the European market and is the top-selling drug in both France and Germany. Astra says it has preliminary indications that Losec may even have overtaken Zan-

tac in the UK market. The drug has a US market share of around 17 per cent.

Balnicort, the anti-asthma agent, increased sales by 29 per cent to SKr1.77bn, helped by the launch of the group's Pulmicort Turbhaler in Germany this year.

Group operating earnings grew 37 per cent to SKr1.42bn but the full impact was not felt at the bottom line because of a sharp drop in financial income to SKr1.6m from SKr2.9m.

The group said it suffered up to SKr150m in unrealised losses on its bond portfolio while capital expenditure rose

sharply to SKr3.3bn from SKr1.2bn. Among other investments, the group strengthened its position in Japan by lifting its stake in a joint venture with Fujisawa to 90 per cent.

Sales in Germany, the group's main market, climbed 27 per cent in local currencies, against estimated market growth of 5 per cent. The company said Losec's German sales had not been affected by a domestic strike surrounding an injectable form of the drug.

Analysts expect full-year profits of between SKr9.5bn and SKr10bn, compared with SKr7.6bn last year.

BBL posts 26% rise to BFr3.85bn at midway

By David Gardner in Brussels

Banque Bruxelles Lambert (BBL), one of the big three Belgian banks, yesterday announced a 26 per cent rise in consolidated net profits for the first half-year, of BFr3.85bn (SKr1.8m) against BFr3.05bn in the first half of 1993.

Announcing the result, Mr Daniel Cardon de Lichtenauer, chief executive, said that BBL's "battle is won" after the black year of 1992.

BBL cut its dividend in 1992 after having to make heavy provisions for bad loans, and a bid to link up with Internationale Nederlanden Groep, the Dutch financial services group, collapsed.

Since then, there has been a clean-out of the foreign network's loan portfolio, where most of the bad debts were lodged, and a much more rigorous assessment of credit risk, especially in lending to the private sector.

BBL earned a BFr32m profit from its European subsidiaries in the first half, against losses for the whole of last year of BFr42m. Private sector loans, meanwhile, rose only 3 per cent in the first six months of 1994, compared with a 12 per cent increase in lending to the public sector.

Provisions for loans and investments fell 28 per cent to BFr4.7bn, against BFr6.21bn in the first half of last year.

Mr Cardon expected similar earnings in the second half, and total provisions for the year of the order of BFr5bn, half 1992 levels.

Kühne & Nagel ahead 11.7%

By Christopher Brown-Humes

Kühne & Nagel, the freight forwarding group which floated shares on the Swiss and German markets in May, has reported a first half net income of BFr4.2m (\$18.8m), up 11.7 per cent on sales of BFr3.5bn achieved last year.

The move follows disclosures that Mr Rowland cost the company more than 25.5m (\$9.4m) a year in salary and other charges.

The group said it was confident that it would at least reach its full-year net profit target of BFr50m for 1994.

Cost-cutting helps Pharmacia to half-time profits of SKr2.66bn

By Christopher Brown-Humes

Pharmacia, the newly privatised Swedish drugs group, yesterday reported a better-than-expected profit of SKr2.66bn (\$343m) for the first six months as sales reached SKr13.7bn.

The group said it was difficult to compare its figures with the same 1993 period because of the acquisition of the Italian pharmaceuticals group Farmatorta Carlo Erba (FICE) in May 1993.

If FICE is included on a pro-forma basis from January 1 1993, underlying sales were 4 per cent higher than a year ago

and underlying operating profits were 25 per cent higher at SKr2.76bn. The group said the main reason for the improvement was cost-cutting.

The company said its operating margin for the 12 months to June 30 was 18.5 per cent, compared with 14.7 per cent for the whole of last year. It is looking for savings of SKr1.6bn by 1996 to achieve an operating margin of 20 per cent.

Sales of the group's two main drugs, Genotropin (growth hormones) and Healon (cataract surgery) both fell slightly. It blamed restrictions on healthcare spending in Spain and Australia for the 1

Rowland faces directors' vote

By Robert Peaston and Roland Rudd in London

London directors will today vote on whether to strip Mr Tiny Rowland of his executive powers, in a move to end his and his 33-year reign over the international trading group.

Though the formal agenda of today's board meeting does not contain a motion to depose him as joint chief executive, the directors are expected to raise the question of whether he should continue in the post as part of "any other business".

The move follows disclosures that Mr Rowland cost the company more than 25.5m (\$9.4m) a year in salary and other charges.

Czech telecom monopoly advances to Kcs3.49bn

By Vincent Boland

SPT Telecom, the Czech state telephone monopoly being restructured and privatised, yesterday reported pre-tax profits of Kcs3.49bn (\$124m) for the six months to June on revenues of Kcs10.01bn.

Interim figures for 1993 were not made available, but SPT Telecom made full-year pre-tax profits of Kcs5.6bn on revenues of Kcs18.3bn last year. The company expects full year pre-tax profits for 1994 of Kcs7.4bn.

SPT Telecom is seeking a single strategic partner to buy 27 per cent of the company by March 1 next year to help modernise its outdated network.

Under the government's telecommunications policy, SPT Telecom is to retain a monopoly of Czech telephone services until the end of the decade.

Highlights July '94
Langgeng Makmur Plastic Industry Ltd.
reports good results

In the first seven months of 1994 Langgeng reported good results. Compared with full year 1993's result, total revenues were 47.8% higher at Rp 33.1 billion and net profit stood at Rp 6.1 billion, 41.9% higher than FY1993.

Key Figures

(in Rp billion)	July '94 (7 months)	FY1993 (12 months)	% higher
Total Revenues	33.1	22.4	47.8
Operating Profit	7.2	5.5	30.9
Net Profit	6.1	4.3	41.9
Total Equity	47.2	41.1	14.8
Total Assets	60.2	57.2	5.2
EPS(Rp) *	229.3	161.7	41.8
Current Ratio(%)	231.0	212.0	9.0
Net Gearing (%)	7.9	6.6	19.7

*) Bases on weighted average # of shares

Key Points

- Indonesia's leading consumer products manufacturer
- Targeted at low-middle income consumer market
- Strong cash flow and extremely low gearing
- Expansion will boost earnings substantially in the next two years

With almost two decades of experience, the company is well positioned to retain its leadership in the plastic houseware market which it serves.

PT Langgeng Makmur Plastic Industry Ltd.
Surabaya, Indonesia
(62) 031-839 550

26 August 1994

Swedish forestry groups reflect upturn in sector

By Christopher Brown-Humes

Clear evidence of a strong upturn in the pulp and paper cycle emerged yesterday when two of Sweden's leading forestry groups, SCA and MoDo, reported a sharp increase in first-half profits.

SCA said profits after financial items had risen to SKr1.35bn from SKr1.05bn, although the latest figure included SKr12m in one-off gains.

MoDo returned to the black, swinging to a SKr7.7m profit after financial items from SKr1.6m last year.

Both companies said they were feeling the effects of increased volumes and lower financial costs.

MoDo also highlighted a sharp upturn in prices for pulp, fine paper and sawn goods as

basis for its turnaround.

SCA upgraded its full-year forecast, saying it now expected profits of between SKr1.5bn and SKr2.3bn.

Underlying group sales were 3 per cent higher at SKr15.5bn, mainly because of higher volumes.

Operating profits increased to SKr1.35bn from SKr1.05bn, although the latest figure included SKr12m in one-off gains.

MoDo returned to the black, swinging to a SKr7.7m profit after financial items from SKr1.6m last year.

Both companies said they were feeling the effects of increased volumes and lower financial costs.

MoDo also highlighted a sharp upturn in prices for pulp, fine paper and sawn goods as

to higher volumes and prices for pulp and fine paper.

The operating result climbed sharply to SKr2.3bn from SKr1.77m. The latest figure included a SKr144m payment received as compensation for start-up problems at the group's Alafay plant in France.

All the group's units reported higher operating profits as the group benefited from improved capacity utilisation and better markets.

MoDo, the fine paper

division, swung to SKr1.27m profit from a SKr2.02m loss while Iggesund Paperboard saw profits rise to SKr1.32m from SKr1.65m. Group financial costs fell to SKr1.43m from SKr1.65m.

The company says full-year profits will comfortably exceed SKr1.5bn.

Financial items boost Skanska

By Christopher Brown-Humes

Skanska, the Swedish construction and property group, yesterday reported a 30 per cent rise in first-half pre-tax profits to SKr1.52bn (SKr1.6bn).

The rise came in spite of a weaker Swedish construction market and was achieved due to lower net interest costs, reduced exchange losses on loans and increased income from dividends.

Operating profits before financial items was SKr1.32bn, after including a SKr234m gain on the sale of investment and development properties. The figure was 7 per cent lower than a year ago when operating

profits of SKr1.43bn included a SKr3m gain from property sales.

The group has already exceeded the SKr1.12bn profit it reported for the whole of 1993. Its second-half figures will include SKr680m in revenues following the winding-up of Protorp, the investment company.

Revenues climbed to SKr1.45bn from SKr1.4bn. However, the group relied on a strong expansion of its international construction business, where revenues climbed to SKr3.5bn from SKr3.4bn, to offset the downturn in domestic construction, where revenues fell to SKr6.7bn from SKr7.4bn.

Skanska noted that Swedish housing starts had slumped to 3,300 units in the first half from 5,644 units. It said the extremely low level of residential activity created "major difficulties for Swedish contracting operations" although there had been a slight improvement in the road and civil engineering sector.

Telia earnings increase fourfold

By Christopher Brown-Humes

Telia, the state-owned Swedish telecommunications group, yesterday announced a surge in first-half profits to SKr3.4bn (\$18.8m), up 11.7 per cent on sales of BFr5.2bn, ahead 14.4 per cent.

The group said it had noted a marked increase in the inflow of orders from big customers in the commerce and service sectors.

It added that traffic revenues in the switched telephone network were 2.6 per cent higher than a year ago while the number of subscriptions had begun to rise again after a decline in 1993. "Mobile telephony continues to experience strong growth," it said.

Interim dividend



Koninklijke BoelsWessanen nv

The undersigned announces that the Management Board of Koninklijke BoelsWessanen nv, with the approval of the Supervisory Board, has decided to distribute an interim dividend for the 1994 financial year of Dfl. 0.32 in cash per ordinary share of Dfl. 2.00.

On submission of dividend coupon no. 4 of the depositary receipts for ordinary shares, Dfl. 0.32 will be payable as from September 12, 1994 per depositary receipt for one ordinary share of Dfl. 2.00, being the interim dividend less 25% dividend tax, at the office of ABN AMRO Bank N.V., MeesPierson N.V., Internationale Nederlanden Bank N.V. and Kempen & Co. N.V. in Amsterdam, the Netherlands.

Holders of CF depositary receipts will receive their dividend through the institutions at which the dividend sheets of their depositary receipts were deposited at the close of business at September 1, 1994.

Copies of the interim statement can be obtained from the company (P.O. Box 410, NL-1180 AK Amstelveen).

Stichting Administratiekantoor van aandelen Koninklijke BoelsWessanen Amsterdam, August 31, 1994

AN IMPORTANT NOTICE TO HOLDERS OF WARRANTS ISSUED BY AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

(ACN 005 357 522 (ANZ)) relating to fully paid ordinary shares of CECLES MYER LTD. (ACN 004 089 939)

ANZ HEREBY NOTICES: Holders of the above Warrants that the Exercise Period for the above Warrants ends at 1000hrs (local time) in Brussels or Luxembourg (or Warrants recorded in the books of Euromax or Cedel, respectively) on 26 September 1994 and that the Expiry Date for the Warrants is 30 September 1994.

For each 1000 Warrants submitted for exercise, the Holder is entitled to receive, in aggregate, 4250 Shares in CECLES MYER LTD. (anonym. 4500 shares for the first 2000 Warrants exercised and a further 2250 Shares for the other 1000 Warrants).

In accordance with Condition 4.8 (9) of the Conditions of the Warrants, ANZ hereby通知 Holders that -

• Warrants not exercised on or before the Expiry Date (30 Sept. 94) will lapse.

• Exercise Notes must be delivered before 1000hrs (local time) at the Receiver Location on 26 September 1994.

If the Exercise Price is less than 95% of the Market Value of the Underlying Securities which relate to a Warrant as at the Expiry Date then (in summary), if a Warrant is not exercised, the Holder is entitled to an Assessed Value Payment, in accordance with the Conditions of the Warrants. The payment will not necessarily correspond to the value of the Underlying Securities

INTERNATIONAL COMPANIES AND FINANCE

AGF confident despite decline in first six months

By Alice Rawsthorn
in Paris

Assurances Générales de France, the French insurance group which is a candidate for privatisation, yesterday announced a fall in net profits to FF1.04bn (\$192m) for the first half of 1994 from FF1.41bn in the same period last year.

However, Mr Antoine Jeancourt-Galignani, chairman, said AGF was on course for an increase in net profits for the full year to between FF1.45bn and FF1.7bn. This compares with net profits of FF1.77m in 1993.

"We're extremely cautious," he said. "But our forecast at the moment is that profits for the full financial year will be 40 per cent to 60 per cent higher than those for the first half."

Mr Jeancourt-Galignani also stressed that AGF would be ready for privatisation by the end of September, the deadline set earlier this year when the Balladur government outlined its privatisation plans.

The government has since appeared cooler about the prospect of selling its AGF shares, in favour of concentrating on the proposed partial privatisation

of the Renault motor group.

AGF has made no secret of its hopes that the sale will go ahead this autumn. "It's up to the government to take the decision," said Mr Jeancourt-Galignani.

Meanwhile AGF is reorganising its assets.

Mr Jeancourt-Galignani confirmed it intended to sell a 43 per cent stake in Banque Francaise du Commerce Extérieur, which is held jointly with the Crédit Lyonnais banking group.

He also affirmed that AGF had begun talks with Suez, the French holding company, to acquire the latter's 26.7 per cent holding in SEAC, a credit insurance concern.

AGF already owns 45 per cent of SEAC and hopes to take control.

Mr Jeancourt-Galignani declined to comment, however, on the progress of talks for AGF to raise its stake in AMB, the German insurance company of which it now owns 33.5 per cent.

AMB doubled its contribution to AGF's interim figures, providing net profits of FF1.06m, against FF1.4m in the first half of last year.

Banco Santander sells 1.47% Banesto stake

By Tom Burns in Madrid

Banco Santander has sold 1.47 per cent of Banesto, the troubled bank it took over earlier this year, to La Caixa, the Barcelona-based savings bank. The deal could foreshadow wider agreements between the two leading domestic financial institutions.

La Caixa, which paid Pta7.4bn (\$87.4m) for the stake, said the acquisition, an unprecedented investment by a savings institution in a leading commercial bank, was a "purely financial investment". It rejected speculation that it formed part of a "non-aggression pact" with Santander.

The savings bank paid Pta380 per Banesto share, well below the average trading price during August of more than Pta1,000 for Banesto stock. Santander had paid Pta62 per Banesto share when it took control of the bank in April.

Bols Wessanen slips 7.9%

By Ronald Van de Krol

Bols Wessanen, the Dutch food and beverages group, blamed a downturn in its beverages activities for a 7.9 per cent decline in first-half net profit to Fl110.2m (US\$63.0m), from Fl119.6m a year earlier.

It said the decline was partly due to poor weather during the second quarter in Italy. In the Netherlands its profits from spirits fell because of an increase in excise duties.

Group turnover rose by 6.4 per cent to Fl2.65bn, with most of the increase due to acquisitions, but operating profit fell by 3.6 per cent to Fl65.6m.

In spite of the first-half decline, which caused the company's shares to fall nearly 10 per cent on the Amsterdam stock exchange yesterday, Bols Wessanen predicted that full-year net earnings per share, excluding extraordinary items, would at least match the 1993 figure.

Net profit expanded more sharply than operating profit because of lower interest

charges and lower taxes.

VNU said its Dutch and Belgian commercial television activities benefited from increased demand for brand advertising in the UK, where VNU publishes trade and business magazines, the company reported a strong market recovery.

The Dutch company took a Fl20m charge against operating profits at its US business information group to reflect more conservative valuations of both capitalised software and database costs.

In January, VNU announced a \$220m US deal giving it control over two "bibles" of the West Coast entertainment industry, the daily newspaper Hollywood Reporter and Billboard. It also took over 17 other US trade magazines.

Operating profit rose by 20 per cent to Fl144m, matching the rate of increase in turnover, which rose to Fl1.27bn in Fl1.06bn.

Acquisitions, including the purchase of BET Communications of the US, Billboard and other magazines, accounted for slightly more than half of the turnover increase.

Net profit expanded more sharply than operating profit because of lower interest

Seagram climbs 32% to \$224m in second term

By Robert Gibbons in Montreal

A strong contribution from 24.5 per cent-owned Du Pont, the US chemicals group, lifted Seagram's second-quarter net profit by 32 per cent to US\$224m, or 60 cents a share, from \$170m, or 46 cents, a year earlier.

Seagram, one of the world's top three drinks groups, said its revenues from beverage operations rose 2 per cent to US\$1.45bn, with good gains at Tropicana, the fast-expanding juice unit, offsetting a modest decline in spirits and wines.

Tropicana achieved a 41 per cent share of the US ready-to-serve orange juice market, up from 37 per cent a year earlier.

Beverage operating income

overall was \$144m, down \$14m, partly due to exchange factors.

Latin American markets were weak, especially in Venezuela, but US spirits sales staged a turnaround, with a strong contribution from Seagram's new vodka brand.

Mr Edgar Bronfman Jr, president, estimated that fiscal 1995 spirits and wine operating income will exceed the fiscal 1994 level of \$666m.

Seagram's share of Du Pont's unattributed earnings jumped to \$117m, against \$51m, and dividend income was \$57m, compared with \$74m. Du Pont has been reporting higher profits with a strong recovery in chemical prices, especially in the US.

Seagram's overall first half earnings were \$346m, or 93 cents, up from \$322m, or 89 cents, a year earlier, while beverage revenues totalled \$2.7bn, up from \$2.5bn. The share of Du Pont profit was \$158m, against \$98m, and dividend income was \$153m, against \$146m.

The quarterly dividend is being raised to 15 cents from 14 cents with the September 30 payment.

Seagram also owns almost

15 per cent of Time-Warner, the US communications giant.

However, sources confirm

ITT chairman checks out Ciga

US group poised to launch second bid, says Andrew Hill

Mr Rand Araskog, chairman of ITT, the US conglomerate, may be able to reward himself with a weekend at the famous Gritti Palace hotel in Venice this autumn. But he has probably not yet made his reservation.

Seven months attempting to gain control of Ciga, the Italian hotels group which owns the Gritti, have taught Mr Araskog that when it comes to Italian takeover bids – even those agreed by the target company – it is best not to plan too far ahead.

Under the control of Fimpal, the Aga Khan's holding company, Ciga accumulated borrowings of about L1,000bn (\$105bn) by the end of 1992, and at the beginning of last year asked Mediobanca, the powerful Milan merchant bank, to study plans to cut its borrowings.

Porte of the UK stepped in with a rescue plan last autumn, after Host Marriott of the US and ITT, which owns the Sheraton hotel chain, tabled rival bids.

In February, ITT appeared to have outbid Porte for the right to buy Ciga.

Since then, however, a combination of bad judgment and bad luck has forced ITT to abandon its original plan and start again, laboriously building a stake in Ciga to the point at which it is now poised to launch a second bid for the loss-making company.

This being an Italian bid, nothing is official. From its New York base, ITT will say only that it is complying with Italian takeover regulations and will make a statement when appropriate.

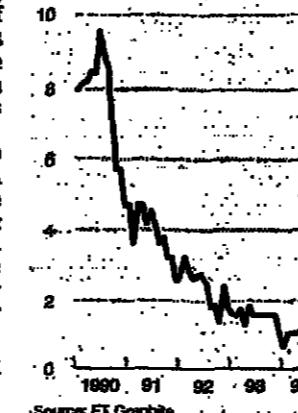
Consob, the Italian stock exchange authority and takeover watchdog, has issued no official communiqué.

A terse statement in July, welcoming the appointment of ITT/Sheraton directors to the Ciga board, is the nearest Mr Araskog himself has come to acknowledging that hotels like the Gritti, the Maurice in Paris and the Principe di Savoia in Milan are within his grasp.

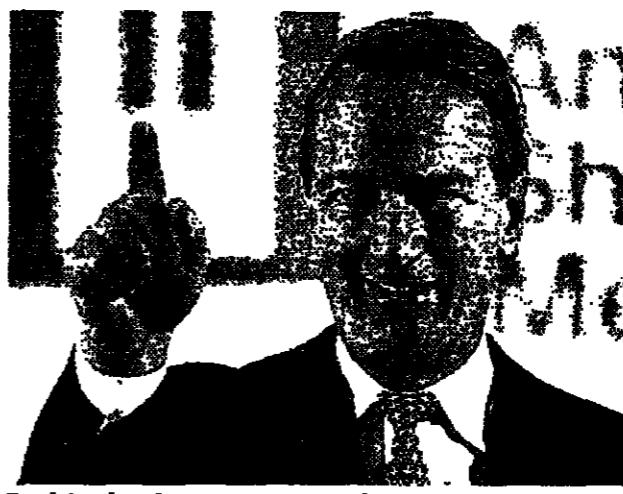
However, sources confirm

Ciga

Share price (Lrs/1000)



Source: FT Graphite



Rand Araskog: has spent seven months trying to win Ciga

that ITT plans to launch a formal bid for 35.25 per cent of Ciga, at a price of about L1,100.

During or just after the capital increase are happy that the hotels group will be managed

by ITT/Sheraton, but some are upset about the way in which ITT has gone about the takeover.

Although the funds claim they are long-term investors, they are the Italian group, now it is recapitalised as a valuable play on real estate values, worth more than L1,200 a share. "For an international company coming into the Italian market for the first time, they could be a bit more generous," says one fund manager.

In addition, some investors

were irritated by the way in which ITT brought its stakes up to 35 per cent in August, sweeping up shares on the market while there was still uncertainty about the terms of a future bid.

ITT is now said to have lodged its formal offer with Consob, making further purchases illegal, but the US company's earlier forays into the market were within Italian rules.

In any case, in spite of bid speculation, the Ciga share price rarely exceeded L1,100 during August.

In ITT's defence, Mr Araskog could point out that only a foolish traveller offers to pay more than the advertised rate for a suite at the Gritti Palace.

Italian investment funds

which took stakes in Ciga

abandon its original hope of

acquiring Ciga through a complex financial manoeuvre

masterminded by Mediobanca.

A deliberately overpriced

rights issue was supposed to

fail, delivering Ciga into the

hands of its creditor banks and

the equivalent of L740 a share.

In preparation for takeover, a

team of ITT/Sheraton

executives came to Italy to

study the real state of

Ciga's assets.

Unfortunately for ITT and

Mediobanca, investors snapped up the issue of shares. An angry and embarrassed ITT

withdrew its management

team, claiming that more than

L300m of capital investment

was needed to bring the Ciga

hotels up to a satisfactory

standard.

ITT continued to buy shares

in the company, however,

although the tactics this time

were much less aggressive.

At a stormy shareholder meeting in early July, the Aga Khan's

management of the company

was fiercely criticised.

It was agreed by the

seven-strong board that three

directors would step down to

be replaced by ITT/Sheraton

nominees. As a result, Consob

decided the US group

effectively controlled Ciga,

even though it directly owned

less than 20 per cent of the

company's shares.

In April, ITT was forced to

abandon its original hope of

acquiring Ciga through a

complex financial manoeuvre

masterminded by Mediobanca.

A deliberately overpriced

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At a stormy shareholder meeting in early July, the Aga Khan's

</div


Golden Hope Plantations Berhad
(Incorporated in Malaysia)
Golden Hope

 Directors:
 Tan Jemal bin Mohamed Ali (Chairman)
 Dato' Abdul Khalid bin Ibrahim
 Zain Azahid bin Zainal Abidin
 Mohamed bin Abdellah

 Howe Yau Chong
 Dr Ng Chong Kit

Abdul Rahman bin Ramli

To the Members,

PRELIMINARY REPORT FOR THE 15 MONTHS ENDED 30TH JUNE, 1994

The Directors announce that the unaudited results for the 15 months ended 30th June, 1994 were:

	Group	Company	15 months ended	12 months ended	15 months ended	12 months ended
Turnover			RM'000	RM'000	RM'000	RM'000
Investment and other income			829,813	593,373	101,359	81,359
Operating profit			145,442	113,535	131,304	93,014
Associated Companies			10,112	8,996	141,558	103,916
Profit before taxation (See Note 1)			175,554	122,521	141,938	103,916
Taxation (See Note 2)			63,375	31,760	41,973	32,425
Profit after taxation but before extraordinary items			132,179	90,761	100,957	71,491
Minority interests			12,132	7,135	100,957	71,491
Extraordinary items (See Note 3)			108,947	83,626	100,957	71,491
Profit attributable to shareholders			143,434	16,565	100,957	71,491
Dividends			84,651	68,496	84,651	68,496
Retained for the period			176,836	31,695	16,206	2,995

NOTES

1) After charging

- depreciation

2) Taxation includes

- Current

- Deferred

- Associated Companies

- Deferred written back as a result of a change in statutory tax rate

- Under provision in prior year

3) The extraordinary items comprise the following:

Gain on compulsory land acquisition

Gain on disposal of investment

Profit on disposal of land

Group's share of extraordinary items of associated companies

Surplus on liquidation

4) There were no pre-acquisition profits included in the results for the period.

5) No percentage change was computed as the current results are for a period of fifteen months which are not comparable with the previous year.

6) The Company has changed its financial year end from 31st March to 30th June with effect from 30th June, 1994. The accounts therefore cover the fifteen months from 1st April, 1993 to 30th June, 1994.

1994 RESULTS

Profit for the fifteen months recorded an increase of 13% on an annualised basis over that of the previous year. The increase is due largely to higher contribution from property development, plantations and investment and other income.

15 months ended

36,694

Group

RM'000

31,93

Group %

15.3%

15.3%

Profit after taxation but before extraordinary items as a percentage of turnover

Profit after taxation and minority interests but before extraordinary items as a percentage of shareholders' funds

Net earnings per share (in sen)*

Net tangible asset backing per share

* The net earnings per share is calculated based on 999,803,499 (1993 - weighted average of 901,994,962) shares in issue.

EARNINGS

15 months ended

30,694

Group

RM'000

31,93

Group %

15.3%

15.3%

Profit for the first six months after taxation and minority interests but before extraordinary items

Profit for the next nine months after taxation and minority interests but before extraordinary items

Profit for the fifteen months after taxation and minority interests but before extraordinary items

37,541

31,039

-

38,906

52,587

-

116,047

83,626

-

CURRENT YEAR'S PROSPECTS

The current year's crop production is estimated to be lower than the previous financial year on an annualised basis. In spite of this, plantations profit is expected to be better in the current year if the current trend of high commodities prices continues. Roresourced-based manufacturing and property development are also expected to enhance the Group's profit.

HARVESTED CROPS - TONNES

15 months ended

30,694

Group

RM'000

31,93

Group %

15.3%

15.3%

Profitable will propose at the Annual General Meeting to be held on 28th September, 1994, a final dividend of 5 sen per share comprising 4 sen less tax and 1 sen tax exempt and a special dividend of 2 sen per share less tax, which will be payable on 24th October, 1994. If the dividend is approved at the Annual General Meeting, it is intended that the Transfer Books of the Company will be closed at 5.00 pm on 29th September, 1994, for the preparation of dividend warrants.

2) The first interim dividend of 5 sen per share less tax was paid on 25th April, 1994.

3) The total annual dividend is as follows:

15 months ended

30,694

Group

RM'000

31,93

Group %

15.3%

15.3%

Sen Per Share

RM'000

(gross)

(net)

Sen Per Share

RM'000

(gross)

(net)

11

74,633

9

58,626

1

9,996

1

9,870

12

84,651

10

68,496

-

COPIES OF THE REPORT

A copy of the Company's Preliminary Report will be posted to shareholders on 5th September, 1994. Copies will be available from the Company's registered office and the Branch Registrar, Barclays Registers, Bourne House, 34, Beckenham Road, Kent BR3 4TU, United Kingdom.

KUALA LUMPUR

30th August, 1994

 By Order of The Board
 Noordin Abdual Samad
 Secretary

The Toyo Trust & Banking Company, Limited

The English version of the Annual Report and Accounts for the year to 31st March, 1994 have been published and may be obtained from:

 The Toyo Trust & Banking Company, Limited
 Bucklersbury House
 83 Cannon Street
 London EC4N 8AJ

 de Zoete & Bevan Limited
 Eggbate House
 2 Swan Lane
 London EC4R 3TS

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+44 (0) 71 814 9770	
+44 (0) 71 814 9778	

 OBITUARIES
 KATHLEEN LITTLEJOHN, beloved mother, grandmother, and great-grandmother, died peacefully in her ninetieth year on 27th August 1994, in her beloved city, Doncaster in the Yorkshire Dales, England.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS
Ansett Airlines helps lift TNT

By Nikki Tait in Sydney

A strong contribution from its 50 per cent interest in Ansett Airlines and continued improvements in core operations helped TNT, the large Australian transportation and package delivery group, to an equity-accounted profit after tax and abnormal items of A\$105.1m (US\$87.8m) in the year to June.

Group revenues were A\$5.6bn, up from A\$5.5bn previously.

The result compares with a loss of A\$26.7m a year earlier, when TNT faced some heavy one-off charges.

In the latest period, abnormal items contributed an after-tax surplus of A\$57m, partly due to gains on both asset sales and foreign currency movements at Ansett, in contrast to the 1992-93 charge of A\$212.1m.

However, even at the trading level, there was an improvement. Operating profit before tax rose to A\$127.5m from A\$114.8m in the year to June.

TNT said the advance was largely due to the turnaround at Ansett, and reduced losses in its GD Express Worldwide business, its express delivery joint venture.

The company said that full-year results at GD Express were still below expectations, having been hampered by aggressive competition, although the fourth quarter was in line with estimates.

It said that the better economic outlook in main markets, coupled with cost reduction measures, should "bring substantial financial improvement in the current year".

The core Australian business saw operating earnings improve "significantly", while Canada also showed "an exceptional turnaround".

The UK business earned record profits, and Germany improved.

By contrast, TNT Spain saw losses, and no significant improvement is expected before the second quarter of the current year. Italy also remained difficult.

Interest charges last year fell to A\$71.1m from A\$93.6m, while the net debt to equity ratio fell to 0.92 from 2.18 at end-June.

Profit after tax and abnormal items on the statutory consolidated basis, was A\$45.8m, compared with a loss of A\$13.7m last time.

There is no dividend.

UK building society to securitise mortgages

By Graham Bowley

Bristol & West Building Society, the UK's 10th largest, is set to launch a commercial mortgage securitisation, the first by a UK society.

It intends to issue about £

INTERNATIONAL CAPITAL MARKETS

European sector waits for the Bundesbank

By Antonio Sharpe in London
and Frank McGuire
in New York

European government bond markets were uneven as dealers marked time before the Bundesbank's council meeting today. Most markets moved in a narrow trading range and volume remained thin.

Analysts view today's Bundesbank meeting as the last chance for it to announce any changes to official interest rates before the German federal elections in October. However, apart from a possible return to a variable rate, the market does not expect the Bundesbank to make any policy changes.

On Liffe, the September bond future moved between a high of 91.99 and a low of 91.66 before trading at 91.73 in the late afternoon, down 0.19 points on the day.

The prospect of a large sup-

ply of government bond issuance also prevented bond prices from recovering the losses they had made the previous day in the wake of the unexpected base rate rise by leading French banks.

France is expected to seek around FFr20bn through an auction of 10-year paper today and Italy is hoping to raise around L14,000bn this week. Spain is also issuing paper with three, five and 10-year maturities.

Dealers said the disappointing reception given to the Dutch government bond auction this week showed that investors remained reluctant to buy bonds. Sales of the Dutch 7.25 per cent bond reached FFr1.6bn after three days of subscription, during which the government had to reduce the price of the bonds twice.

On Matif, the national French government bond

future was virtually unchanged in the late afternoon, up just 0.02 at 113.30.

The UK government bond market opened with an easier bias following the early morning leak of the results of the

GOVERNMENT BONDS

survey of UK purchasing managers, published by the Chartered Institute of Purchasing and Supply. The survey showed that the price index rose to a seasonally adjusted 73.7 per cent last month, up from 73.3 per cent in July.

Although the shorter end of the yield curve remained nervous ahead of next week's publication of minutes of the monthly meeting between the chancellor and the Bank of England governor, longer-dated gilts showed marginal

gains. On Liffe, the December long gilt future, which saw higher volume levels than the September contract as traders rolled their positions forward, rose 1/2 to 101 1/4.

Mr John Sheppard, chief economist at Yamaichi, said that although the undertones to the market remained bullish, higher volume was needed to drive prices higher.

US bond prices slipped yesterday morning on fresh evidence of inflationary pressures, as traders ignored conflicting data suggesting a decline in economic activity.

By midday, the benchmark 30-year government bond was 1/4 lower at 100.4%, with the yield rising 7.85 per cent. The two-year note was off 1/2 at 100.0%, to yield 5.165 per cent.

The market stumbled after several strong sessions when confronted by a mixed bag of economic indicators.

■ US bond prices slipped yesterday morning on fresh evidence of inflationary pressures, as traders ignored conflicting data suggesting a decline in economic activity.

By midday, the benchmark 30-year government bond was 1/4 lower at 100.4%, with the yield rising 7.85 per cent. The two-

year note was off 1/2 at 100.0%, to yield 5.165 per cent.

The Commerce Department supported the suggestion of a cooling economy with data showing a 2.3 per cent drop in July factory orders. But the market chose to ignore that news, too.

As a result, bonds across the yield curve sagged. But trading conditions remained very thin, which probably exaggerated the move lower.

Many traders are either on holiday this week or are staying on the sidelines until the release of monthly employment data on Friday.

Flexible options play blamed for Dow rally

An 18-month-old derivative product caught the attention of Wall Street last week when a respected money manager's options play, representing a mere \$100m in underlying stock value, was blamed for lifting the Dow Jones Industrial Average on Wednesday afternoon.

Insiders scoff at the idea that such a small options play could move the market so substantially.

However, the event and subsequent publicity have created an awareness that a new and fast-growing variety of exchange-traded options might introduce a new sort of volatility into stocks.

Mr William Mullen, managing director of Loomis, Sayles and Company, a firm that manages money for a variety of pension funds, was reported to be engaged in portfolio enhancement strategy that has been popular over the last nine months because it works best in markets that are static or which are on a downwards trend.

Known in the industry as "index overwriting", it involves writing, or selling, call options on popular stock indices like the Standard & Poor's 100 or 500 for the income

of monthly interest payments.

Over the past year, derivatives traders say, such call writing could have added a full 1 per cent of return on a fund's investments.

The calls sold are generally 5 per cent or more "out of the money", meaning that the underlying index would have to rally by at least 5 per cent to give the calls any value to their buyers.

The strategy works best with "short-dated" options that expire six to eight weeks after they are sold, since research has shown that the stock market rarely rallies by 5 per cent

to 7 per cent in most 45- to 60-day periods.

The call writer faces a loss only if the market rallies and throws the options "into the money" by expiration.

The strategy is best applied using flexible exchange options, or "flex" options, a product introduced to the world by the Chicago Board Options Exchange in early 1993.

Flex options are the exchange's answer to competition from over-the-counter structured instruments. They allow traders to tailor their

DERIVATIVES

own options terms, including expiration dates, and have a \$10m minimum transaction size.

Until flex options were introduced, all US exchange-traded options expired either once a month or quarterly.

Index overwriters like Mr Mullen tend to stagger their options call writing to ensure a steady stream of premium income, making just about any day an options expiration day.

When conditions are right, options expirations present sophisticated derivatives traders with attractive arbitrage opportunities.

This was best observed in the late 1980s, when the "triple witching" quarterly expirations of stock index futures, stock options, and stock index options often caused the US stock market to pitch and roll in the final hour of that day's trading.

Regulators tamed those quarterly events by staggering the "short-dated" options that expire six to eight weeks after they are sold, since research has shown that the stock market rarely rallies by 5 per cent

which there are derivatives.

Other exchanges, such as the American and Philadelphia Stock Exchanges and the Chicago Board of Trade, have adapted the flex options concept to their own products, and the London International Financial Futures Exchange is seriously considering launching flexible exchange options products.

Laurie Morse

Opportunities in lire tempt borrowers

By Graham Bowley

The Eurobond market saw a number of small, mainly retail-driven offerings yesterday in a variety of currencies, continuing the trend of recent days.

INTERNATIONAL BONDS

The Italian lire market saw a number of small, mainly retail-driven offerings yesterday in a variety of currencies, continuing the trend of recent days.

■ The Italian lire market saw several offerings. Borrowers are being tempted into lire by profitable arbitrage opportunities caused by high investor demand, syndicate managers said, and investors by historically high coupon levels and the flatness of the yield curve in the three to 10-year area.

However some syndicate managers questioned the tim-

ing of these deals in the lire market, which they said is nearing saturation point.

Nestle Finance France launched a L150bn offering of two-year bonds with a coupon of 11 per cent, which lead manager Swiss Bank Corporation said performed well, despite aggressive pricing.

In the dollar sector, Okobank launched a \$150m offering of five-year bonds callable after five years and yielding 150 basis points over six-month Libor for the first five years, and 300 points over thereafter.

Syndicate managers said the deal was well priced and performed well. Lead manager Goldman Sachs said the issue was mainly bought by institutional investors although there was also good retail demand.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fee %	Spread bps	Book number
US DOLLARS							
Okobank	150	10.00	100.00	undated	1.00	-	Goldman Sachs International
YEN							
DSB Bank	35bn	4.35	100.15	Sep. 1996	0.25	-	Nomura International
Swed. Export Credit	20bn	6.01	98.50	Sep. 1996	0.60	-	Swed. Export Credit Fund
Province of Ontario	100m	4.43	100.15	Sep. 1996	undated	-	Kidder Peabody Int'l
D-MARKS							
SNCF	300	8.75	99.795	Sep. 1996	0.25	+150 bps	CSFB-ElectraBank
ITALIAN LIRE							
Robeco Nederland	225m	11.25	101.875	Oct. 1996	1.975	-	Swiss Bank Corp.
ABA France	150m	11.40	101.22	Oct. 1997	1.375	-	Bank Commerciali Italiane
Nestle Finance France	150m	11.00	101.275	Oct. 1996	1.125	-	Swiss Bank Corp.
SWISS FRANCS							
National Bank of Hungary	150	8.25	101.225	Oct. 1996	2.00	-	Merrill Lynch CapMkt

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Underwritten, syndicated note. bps: 1/2: read-off price; fees are shown at the as-offer level. a: Callable on coupon date after Syntex. b: 1/2: read-off price +150bp for 1st Syntex +300bp thereafter. c: Callable on 29/9/95 at par. d: 3% to 29/9/95 and 31/9/96 thereafter. e: Short 1st coupon.

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COMPANY NEWS: UK AND IRELAND

Housebuilders offer evidence of recovery

By Andrew Taylor,
Construction Correspondent

Share prices of housebuilders rose sharply yesterday after companies reported that new house sales had recovered last month after a poor June and July.

Persimmon, the UK's eighth-biggest housebuilder, said it had sold 250 homes in August, 25 per cent more than August last year.

Ideal Homes, part of Trafalgar House, the construction, property, shipping and hotels group, also reported higher August sales than a year ago.

Wimpey, the UK's biggest housebuilder, which announces first-half profits next Tuesday, is also thought to have seen sales bounce back in August after falling in the first two months of the summer.

Mr Jeremy Withers Green, analyst at Credit Lyonnais Laing, said: "This

shows that the housing recovery is still on track, while new homes are taking market share and selling better than existing houses and flats."

Persimmon, which yesterday announced a 24 per cent rise in interim pre-tax profits to £11.3m, saw its share price rise 10p to 261p; Barratt Developments rose 12p to 210p; Berkeley Homes 15p to 430p and Wilson Compton 17p to 234p.

Mr Duncan Davidson, Persimmon's

chairman, said: "I believe the recovery is sufficiently entrenched to withstand an increase in interest rates of up to one percentage point – although I would prefer rates not to increase."

He said that Persimmon had increased net profit on each sale to 27,518 from £24,825 in the first six months of last year. This compared with a peak profit per house of £18,000 in 1988-89. The aim was to get this back to £10,000 a unit.

Rugby up 17% but sentiment clouded by trading warning

By Andrew Taylor,
Construction Correspondent

UK cement sales rose by 8 per cent in the first six months of this year, according to Rugby Group which yesterday announced a 17 per cent rise in first-half profits to £36.5m, against £30.6m.

The building materials group, which now generates higher worldwide sales and profits from joinery than cement, increased its interim dividend from 1.25p to 1.5p.

Its share price fell 5p to 138p, however, on warnings from Mr Peter Carr, managing director, that trading conditions in the UK joinery business were

becoming increasingly competitive.

UK cement profits rose by 11.4 per cent to £9.8m with turnover increased by 11 per cent to £94.5m. Cement sales were helped by increased housebuilding, a rise in infrastructure construction, and greater industrial building.

UK joinery sales increased by 16 per cent to £7.1m while operating profits rose by 19 per cent to £2.8m. This reflected sharp rises in raw material timber prices, which have risen by some 13 per cent during the past 12 months.

Mr Carr warned that profits could come under pressure if UK manufacturers continued

to battle to increase market share.

UK metals profits increased by 55 per cent to £2.1m, on a sales increase of just 16 per cent to £27.7m. UK profits over the three divisions rose by 19 per cent to £21.5m.

Overseas profits increased by 21 per cent to £14.2m. Australian cement and lime profits, which rose 25 per cent to £7.4m, would have been almost flat but for £1.2m raised from land sales.

US joinery profits fell by a third to £1m due mainly to poor weather while European joinery profits increased to 24.5m (£2.8m) helped by new acquisitions.

COMMENT

The cloud hanging over Rugby's share price yesterday was the prospect of further skirmishing between UK joinery manufacturers just as their raw material costs have soared. The pace of recovery in UK cement demand is also likely to slacken next year. The acquisition of Buzzi's US distribution business is rightly well regarded, but prospects elsewhere look a little dull compared with others in the sector. Annual pre-tax profits of £20m followed by £25m next year would put the group on a prospective p/e of 14 on 1995 earnings, which is dear enough.

John Mowlem, the construction equipment and contracting group, moved back into the black, with interim pre-tax

profits of £200,000 against a loss of £21,900 in 1993.

The results, for the six months to June 30, were the first since a financial restructuring in March, and showed all the group's divisions improving. Borrowing was all but wiped out by the proceeds of the £9m rights issue, and the disposal of the housebuilding division in July – sold to Beazer for £31m – has left the group cash positive. Turnover slipped 212m to £246m.

The SGB scaffolding hire arm showed the most marked improvement, with profits nearly tripling to £6.3m (£2.4m). Contracting moved from break-even to notch up profits of £700,000. Losses at London City Airport fell by 33 per cent to £1.5m (£2.4m).

Earnings per share were 0.5p (38.4p losses). The company reiterated its intention to pay a final dividend of 2p.

COMMENT

Persimmon's share price, which had underperformed the sector by about 7 per cent since the March rights issue, deserved to bounce back yesterday, helped by better news of August house sales. The margin improvement is encouraging, although the company is unlikely to recover to previous levels. The market, rightly, was perturbed about a further increase in the number of shares in issue, which has risen by 49 per cent since 1990. But the relative decline in Persimmon's rating looks to have gone too far for a quality builder with a strong land bank. Pre-tax profits of £30m, including ACT proceeds, would put the shares on a prospective p/e of 14, which looks cheap against the sector.

Partco completes tomorrow the £2.41m acquisition of the 32-branch Woodhead RSR, which broadens the group's scope beyond cars and light commercial vehicles into trucks and buses.

Mr Scott thought Woodhead, which along with Partco's greenfield expansion increases its share of the UK Scotch market to 25 per cent by selling Haig and nine other brands to Whyte & Mackay.

Guinness' retail arm, Dimple Haig, the upmarket version famous for its "pinch" bottle, and the Haig brand elsewhere, is the leading Scotch in Germany, Greece and Ireland.

A brand dating back to the 18th century, Haig was the UK market leader until the 1960s. But it suffered from a supermarket price war and competition from other whiskies such as Bell's, Teachers and Famous Grouse. Industry observers believe only some 30,000 cases of Haig were sold in the UK last year, compared with 3m for Bell's, the market leader.

"We have no plane to make it a major brand in Britain," Guinness said. "We will continue to focus on Bell's but there may be a niche marketing opportunity with Haig."

Guinness declined to give a value for the deal, but it is thought to be under £20m.

Higher margins boost Persimmon

By Andrew Taylor,
Construction Correspondent

Pre-tax profits of Persimmon, the UK's eighth largest housebuilder, jumped 34 per cent from £24.4m to £31.3m, in the first six months of this year, helped by sharply higher sales and margins.

The housing operation on its own increased profits by 85 per cent, with last year's figures boosted by sale of advance corporation tax benefits of £2.3m.

Turnover advanced from £73.4m to £91.3m.

The interim dividend is increased from 2.8p to 3p, and is more than twice covered by earnings per share which rose from 6.7p to 7p.

The shares put on 10p to close at 262p yesterday.

Mr Duncan Davidson, chairman, said profit margins had risen substantially as the group had used up much of the expensive land it bought in the late 1980s. Sales incentives introduced during the recession had also been reduced, while new house prices had risen by a few per cent.

Selling costs, which had risen from £1,500 per home in 1989 to £5,500 in 1992, had fallen to £3,700 by the first half



Trevor Humphries

Duncan Davidson: land holdings increased to 16,500 plots

Persimmon expected to increase the number of plots to about 20,000 during the next 18 months. Mr Davidson said net borrowings as a result could rise to about £40m by the end of this year, equivalent to gearing of 20 per cent.

This compared with net cash of £5m at the end of June following the group's 250m rights issue in March.

Mr Davidson was confident that the slow recovery in the housing market would continue.

The number of homes sold during the first half had increased by 14.5 per cent, from 1,260 to 1,443. Persimmon expected to push up sales for the year as a whole from 2,771 to at least 3,250, rising to 4,000 next year.

First-quarter loss at GPA

GPA, the Irish aircraft leasing company which in August successfully strengthened its balance sheet with a \$360m (£200m) aircraft lease portfolio securitisation (Alps 94-1) package, yesterday reported a net post-tax loss of \$3m for the quarter to June 30. Losses in the year to March 31 1994 totalled \$64m.

The package enabled GPA to meet the terms of the refinancing thrashed out with its bank in October 1993.

Revenue for the quarter was \$38m and cash inflow from operating activities was \$28m.

Increased Cash Offer

on behalf of Equifax Europe (U.K.) Limited ("Equifax Europe") a wholly-owned subsidiary of

EQUIFAX INC. ("EQUIFAX")

for

UAPT-INFOLINK PLC ("UAPT-INFOLINK")

Baring Brothers & Co., Limited ("Baring") announces on behalf of Equifax Europe that, by means of a formal offer document dated 23rd August, 1994 (the "Increased Offer Document"), and by means of this advertisement, Equifax Europe through Baring, makes an formal offer ("the "Increased Offer") to UAPT-INFOLINK shareholders to acquire the whole of the issued and to be issued ordinary share capital of UAPT-INFOLINK. Terms defined in the Increased Offer Document have the same meaning in this advertisement.

The Increased Offer is being made by means of the Increased Offer Document and is capable of acceptance from and after 3pm on 25th August, 1994. Acceptance of the Increased Offer should be received by not later than 3pm on 8th September, 1994 (or such later time(s) and/or date(s) as Equifax Europe may, subject to the rules of the City Code, decide). Copies of the Increased Offer Document and Revised Form of Acceptance are available for collection from Baring Brothers & Co., Limited, 6 Bishopsgate, London EC2N 4AE.

This advertisement is published on behalf of Equifax Europe and has been approved by Baring, a member of The Securities and Futures Authority, for the purposes of section 57 of the Financial Services Act 1986.

You should note that, in connection with the Increased Offer, Baring is acting for Equifax Europe and no one else and will not be responsible to anyone other than Equifax Europe for providing the protection offered to customers of Baring or for providing advice in relation to the Increased Offer.

The Directors of Equifax accept responsibility for the information contained in this advertisement and to the best of their knowledge and belief having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

1st September, 1994

By Peggy Hollinger

Hartstone Group's investors have taken up less than half the available shares in the leathergoods and hosiery company's £30m rescue rights issue.

Hartstone announced yesterday that acceptances had been received for 44.6 per cent of the 215,648 shares on offer in the 2-for-1 cash call at 15p. However, it put a brave face on the outcome, and pointed to the fact that the shares closed 1p down at 16p, above the rights price.

Hartstone's annual meeting to approve the accounts will be held in High Wycombe today.

Mr John Newmark, chairman, said the rights will control 13.8 per cent of Hartstone, either directly or through funds under discretionary management.

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COMPANY NEWS: UK

Artisan closure behind Spring Ram deficit

By Andrew Bolger

Spring Ram, the Yorkshire-based kitchen, bathrooms and furniture group, is to close its lossmaking Artisan tile factory in Bradford.

The new management, appointed after institutional investors forced a boardroom shake-out last year, said intense price competition from imports was likely to prolong the losses at Artisan, which started production in 1982 and lost £1m in the last six months. It employs 95 people, but the group hopes to redeploy about 30 of the workforce.

An exceptional charge of £2.6m for the closure pushed Spring Ram to a pre-tax loss of £1.1m for the six months to July 2. This compared with losses of £34.4m last time, which included £30.3m of write-offs and charges.

The group incurred an operating profit of £2.2m, compared with losses of £4.8m. Sales rose by 11 per cent to £15m.

Mr Roger Regan, chairman, said: "The deflationary pricing conditions both in our home and international markets and in the UK economy as a whole, coupled with the first signs of increased raw material prices, make internal improvements in efficiency and productivity all important."

Spring Ram's kitchen division, its biggest and most profitable business, increased sales by 8.5 per cent to £9.6m, and operating profits rose by 24.7m to £501. After a good first quarter for the division as a whole, the rate of sales growth in the UK home improvement market was checked in the second half of May and June.

Cairn falls 35% as oil price dips

By Peggy Hollinger

Low oil prices hit Cairn Energy, the Edinburgh-based oil and gas explorer which yesterday announced a 35 per cent drop in interim net attributable profits to £416,000, compared with £641,000.

A 19 per cent decline in the average price of oil per barrel to \$13.54 offset the benefits of a rise in production. Turnover increased by 2 per cent to £3.4m, while production rose by 370 barrels of oil equivalent per day to 4,936.

The results included a three-month contribution from the on-shore assets acquired from Kelt Energy for 28.7m.

Earnings were 0.64p (1.21p) and there is no dividend.

It is proposed to dispose of a further stake in Cairn Energy USA, the US subsidiary, to raise a net £17.5m.

The UK group has over the last year been steadily selling shares in the US company to raise funds for exploration and to reduce debt. Including the proposed disposal, the group will have raised £33m from the share sales and issues since June 1993.

Cairn is proposing to sell 3.7m shares in CEUSA, reducing its holding from 54 per cent to 17.9 per cent. The resulting stake would be worth some £15m.

Mr Bill Gammell, chief executive, said the group intended to use the proceeds of the sale to increase its production and reserve base outside the US.



Roger Regan: economic conditions mean a tough year ahead

Sales in the bathroom division fell to £28.3m (£29.7m), but the elimination of lossmaking activities enabled the division to report operating profits of £100,000, compared with a loss of £2.6m last time.

The special products division, which includes Artisan, increased sales from £14.6m to £21.5m and cut operating losses from £7.1m to £4.7m. Turnover rose at Regency Doors, while operating losses fell.

Stag, the group's furniture business, increased sales by 21 per cent to £15.5m. Operating profits remained static at £200,000 as the group invested in new products for its living and dining room ranges.

Losses per share were 0.3p, compared with losses of 10.4p last time.

Psion more than doubled at £2.9m

By Alan Cane

Psion, the supplier of handheld computers and communications equipment, maintained its recovery with profits more than doubled at the half-way stage.

The pre-tax outcome for the six months to end-June was £2.92m, against £1.07m, achieved on turnover ahead of 57 per cent at £28.2m (£18.1m). Earnings per share were 8.55p (3.41p); the interim dividend goes up 10 per cent to 1.1p.

The results were above market expectations and the shares improved 11p to close at 255p.

Psion makes a range of handheld computers, including the Series 3 family, aimed chiefly at consumer markets and the HC range for corporate use.

Mr David Potter, chairman, said each product area had shown good growth. Sales of the Series 3 and 3a jumped to

Prolific plans new trust

By Bethan Hutton

Prolific, the fund management subsidiary of Scottish Provident, is planning to launch its first investment trust to add to a range of unit trusts.

Prolific Income will be a UK income growth trust aimed at private investors, on similar lines to the existing Prolific High Income unit trust.

The unit trust yields about 3.3 per cent, and ranks 30 out

NEWS DIGEST

Ryan losses deepen to £7.35m

Ryan Group, one of the companies expected to bid for British Coal assets later this month, incurred pre-tax losses of £7.35m in the year to December 31, compared with a deficit of £3.31m in 1992, writes Michael Smith.

Operating profits were £3.17m (£3.86m) on turnover of £113m (£111m). Net interest payments fell from £5.9m to £5.06m, but losses on closure of discontinued operations amounted to £7.07m (£365,000).

IAF

In its first set of results since gaining a listing through its reversal into Greystairs Investment Company, IAF Group reported pre-tax profits of £2.6m for the nine months to end-June.

The outcome compared with a profit of £2.02m for the previous 12 month period and was achieved on turnover of £6.81m, against £7.81m. IAF adopted the June year end at the time of the take-over.

Basic earnings per share emerged at 2.41p (1.86p), or 2.37p (1.87p) fully diluted.

Domnick Hunter advances to £2.6m

By Andrew Bolger

Domnick Hunter group, the filtration and gas separation company floated in March, increased pre-tax profits by 29 per cent to £2.6m in the six months to June 30.

The results, coupled with an upbeat trading statement, bolstered the Tyneside-based group's status as one of the most attractive of recent flotation. The shares, launched at 200p, yesterday closed 10p higher at 260p.

Sales rose by 17 per cent to £17.7m. The pre-tax figure was flattered by reduced interest charges after flotation; the underlying performance showed in operating profits, ahead 21 per cent at £2.72m.

Mr Brian Thompson, executive chairman, said: "A strong level of orders and sales continues into the second half and there is every indication that this situation should prevail for the remainder of the year."

The industrial division, which makes dryers and filters for compressed air and gases, benefited from an uplift in market confidence. In particular, sales of compressed air dryers were strong. Operating profit rose 27 per cent to £2.67m, on sales of £13.5m, up 18 per cent.

Mr Thompson said the group's new nitrogen generators were attracting "tremendous" interest. Sales increased by 50 per cent to £600,000 and there was "huge" scope for the generators, which produce nitrogen gas from compressed air at a fraction of the cost of cylinder supplies. A £2.5m extension to the industrial division's Birtley plant will increase capacity by 50 per cent.

He said the process division - which filters pharmaceuticals and liquids using sophisticated membranes - was still in the evolutionary phase of its development. Sales rose 14 per cent to £4.2m, but investment in an overseas sales network was behind a fall in operating profits from £151,000 to £51,000.

Fully-diluted earnings per share improved to 3.65p (3.02p). A special interim dividend of 1p is declared for the three-month period since listing.

Mr Potter said the company now had 1,500 retail outlets in the US including Radio Shack and Office Depot. The market had been adversely affected by the relative failure of other manufacturers' "personal digital assistants" using pen-based technology, however, and an advertising campaign aimed at establishing brand awareness was planned.

Psion has cash of £342,000 and Mr Potter did not anticipate having to raise additional funds in the foreseeable future.

94 funds in the sector over the five years to August 1, according to Micropal.

The public offer is due to open on September 22 and close on October 13. Shares will be issued at 100p, with launch expenses capped at 4.9 per cent. Warrants will be attached on a 1-to-5 ratio, and the trust will have an initial life of 10 years. The annual management fee will be 0.8 per cent.

British Steel talks

British Steel is in talks with AG der Dillinger Hüttenwerke and Mannesmannrohren-Werke about setting up a joint venture involving large diameter welded pipe businesses.

Abbey from Hazelwood Foods for £5.5m cash.

St Martins-Waltham Abbey manufactures a range of dressed salad products, principally under customers' own labels. The acquisition includes Hazelwood's Greek dip operation, which currently forms part of Forrester Foods. The combined businesses had an after-tax profit of £8,000 from turnover of £10.6m for the year to end-March, with assets of £5.6m.

Pacific Horizon

Net asset value at Pacific Horizon Investment Trust at July 31 was 49.65p per share, a rise of 19 per cent on the 41.74p of a year earlier.

Available revenue was almost trebled to £107,001, against £37,520. Earnings per share worked through at 0.26p (0.08p) and a final dividend of 0.11p (nil) is recommended.

JF Utilities

Net asset value per ordinary income share at Johnson Fry Utilities Trust was 28.1p at July 31, compared with 24.4p at July 14 1993, when the trust started trading.

The purchase price reflects a net initial yield of 5.6 per cent and an equivalent yield of about 7 per cent.

Greycat

Greycat, the property developer, has sold Regent Arcade House in Regent Street, London, to Threadneedle Property Fund Managers for £11.4m.

Greycoat

The disposal will mean a £1.6m charge, which is principally goodwill arising from the original acquisition. Greycoat has sales of £3m and net assets of £1.4m.

Baring Emerging

Net asset value for the Baring Securities Emerging Markets Index Tracker Fund fell from \$14.67 to \$13.18 (£8.35) over the six months to the end of June.

Rothmans Industries

Rothmans Industries' subsidiary, Rothmans of Pall Mall (Singapore), has sold buildings

By Simon Davies

Shares of Serco firmed 14p to 237p yesterday as the facilities and contract management group reported sharp organic growth within 38 per cent interim profits advance.

Turnover rose 46 per cent to £120m (£92.3m), with substantial new business gains helping existing operations expand sales by 21 per cent.

The pre-tax outcome increased from £4.35m to £6m, although 17 per cent of the increase came from three companies acquired in

the second half of 1993.

Mr Richard White, chief executive, said: "We see the trend we've set for organic growth being maintained."

Defence continues to account for close to 30 per cent of sales, and Mr White said there was substantial scope for new contracts, as the Ministry of Defence continues its efficiency drive by contracting out to the private sector.

Serco recently won the MoD contract for air traffic control at Gibraltar airport, in addition to winning the civil contract for a range of services

at Liverpool airport. Other new business included a new contract for maintenance of London's traffic signals, giving Serco maintenance responsibility for two thirds of the the capital's junctions.

It also won a contract from Yorkshire Water for maintenance of its vehicles.

Serco operates primarily under fixed rate contracts, of which about half are linked to an inflation index.

It remains sensitive to increases in wages, however, which form its largest cost.

Mr White said there were signs of increasing pressure on salaries, but he said that this was being factored into contract tenders.

Serco is paying a 1.25p interim dividend, an increase of 18 per cent. Earnings per share rose 25 per cent to 5.6p (4.5p).

Johnston Press up by 11% to £6.7m

By James Buxton, Scottish Correspondent

Johnston Press, the Edinburgh-based group which owns weekly newspapers throughout Britain, increased pre-tax profits by almost 11 per cent to £6.7m, against £5.02m in the six months to June 30. Turnover improved from £41.5m to £42.3m.

Sales lost £185,000 (£64,000) it

which lost £185,000 (£64,000) it

in Halifax, as well as titles in West Yorkshire and the Isle of Man. The acquisition is expected to boost annual turnover by £10m and £12m.

Among the group's other newspaper interests, Scotland did well, with a strong rise in profitability. Newspapers generally improved their profitability in the north of England, the Midlands and Sussex.

Net borrowings were £2m at June 30, the group having been cash positive at the end of 1993. Gearing was 7.1 per cent.

Earnings per share from Johnston Press were 7.1p per share, up 18 per cent.

Operating profit, which excludes the provision, was up 18 per cent at £6.0m (£5.9m).

The results included a two-fold contribution from Halford Courier Holdings, acquired in June for £2.4m. This was the group's largest purchase and brought it its first daily newspaper, the Evening Courier.

Restructured Beckenham turns in loss of £2.6m

By James Buxton, Scottish Correspondent

Beckenham Group, the USM-quoted heating and ventilation engineer which has recently undergone a capital reconstruction, reported a pre-tax loss of £2.6m for the six months to April 30.

The deficit, which compared with losses of £186,000 last time, reflected "continuing difficult trading conditions, the heavy cost of completing long-standing contract commitments, and damage inflicted by the financial crisis the group has experienced", the directors said.

Turnover fell from £17.4m to

£13.4m and the pre-tax result was struck after an increased interest charge of £174,000 (£12,000). Losses per share emerged at 12.9p (3p).

The company also announced it had sold its Contract Components subsidiary to Simco 651 for £2.5m cash.

The sale would enable the group to concentrate its resources on the core ductwork businesses and to develop its fire protection activities.

It was also necessary to maintain the company's working capital and reduce indebtedness, directors said.

Another major sector with abundant potential is Tourism.

The cities that once lined the Great Silk Route - Tashkent, Samarkand, Bukhara and Kiva - offer a rich and exotic cultural heritage. The country of Uzbekistan provides a wealth of unexplored resources from the Aral Sea in the west to the fertile Ferghana Valley in the east.

A major agricultural producer, especially of cotton, where it is the world's fourth biggest grower and the third largest exporter, Uzbekistan also produces the most fruit and vegetables in the former Soviet Union.

Besides its agriculture, the country has abundant reserves of gold, oil, natural gas, coal, silver and copper.

The country is ethnically homogeneous (over 70% Uzbek) and has a much less fragmented society than some of its neighbours. Religious fundamentalism is discouraged. This, together with the country's diverse resources, highly educated population and political stability offers considerable opportunities for foreign investors.

Another major sector with abundant potential is Tourism. The cities that once lined the Great Silk Route - Tashkent, Samarkand, Bukhara and Kiva - offer a rich and exotic cultural heritage. The country of Uzbekistan provides a wealth of unexplored resources from the Aral Sea in the west to the fertile Ferghana Valley

COMMODITIES AND AGRICULTURE

LME copper rally continues

By Richard Mooney

Copper prices continued their rally yesterday at the London Metal Exchange, reaching the highest levels since July's two-week peak.

A burst of investment fund buying in mid-session took the three-month delivery price through resistance around the \$2,500-a-tonne mark, traders told the Reuters news agency. The price touched \$2,520 a tonne before easing back to \$2,500.50 at the close, up \$38.75 on the day.

The aluminum market was also strong, aided by news of problems at Kaiser's Ghanaian operation (see next story). Having reached \$1,534.50 a tonne at the close the three-month position added nearly \$10 in after hours trading.

News that a strike had been averted at the Sudbury, Ontario, operation of Falconbridge, the second largest western nickel producer, only briefly interrupted the metal's price rise.

Further gains forecast

The copper price is likely to rise sharply during the final quarter of this year and into 1995 as stocks fall towards a critical four weeks' supply, according to London broker Hambros Equities UK, reports Reuters.

In a special report Hambros forecast that stocks held by producers, consumers and merchants, now equivalent to 5.5 weeks' supply, would fall rapidly from mid-September, as they did between January and July.

Hambros analyst Mr Christopher Pearson said said copper prices could then reach 150 cents a pound, compared with about 113 cents at present.

If the decline in London Metal Exchange stocks matched the pace of falls earlier this year, the total could reach 180,000 tonnes by the end of the year, the report said.

"Before allowing for any

Drought threatens Ghanaian aluminium smelter

By Laurie Morse in Chicago

Drought conditions in Ghana have caused power authorities in the Volta Lake region to declare *force majeure* on its supply contracts to the Volta Aluminium Company (Valco) smelter, which this year was projected to produce 140,000 tonnes of aluminum.

The smelter is 50 per cent owned by Texas-based Kaiser Aluminum, with the minority interest held by Reynolds Metals.

Kaiser officials are negotiating with the government of Ghana to avoid the power cut-off, but at present are facting at September 1 shutdown date.

If the negotiations are unsuccessful, Kaiser faces the loss of nearly one-third of its current global production. Kaiser has global capacity to produce 500,000 tonnes of aluminum annually, but has been operating at about 77 per cent of that capacity, or about 380,000 tonnes per year.

It cut output at the Valco plant by about 30 per cent this spring, because of the low water conditions.

Mr Robert Irwin, a Kaiser spokesman, said the company was examining its options for replacing metal lost if Valco was shut down. Those options included restarting idled potlines in the US Pacific north-west, where low water has also interrupted the supply of cheap hydro-electric power. Kaiser's Mead smelter in Spokane, Washington, is operating at only 75 per cent of its annual 200,000 tonne rated capacity.

The Ghanaian smelter was last shut by drought in 1988, when it remained idle for two years. The Valco plant employs about 1,600 people, most of whom are Ghanaian nationals, and is an important source of foreign exchange for Ghana.

movement in producer and consumer stocks, this would lower the stocks consumption ratio by about 0.3 weeks supply to about 4.7 weeks by December 31.

Net new production of 460,000 tonnes next year was unlikely to meet rising worldwide consumption, it said. In response to synchronised economic recovery copper consumption growth of 6.3 per cent this year would be followed by a 5.8 per cent increase in 1995.

Western world consumption would exceed supply in both 1994 and 1995, leading to stocks falling to three weeks availability next year.

"Below four weeks of supply, copper prices have tended to rise almost exponentially," said Hambros. "Therefore, we expect the price to spike above 150 cents a pound during the first half of 1995."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

II ALUMINUM, 99.7% purity (\$ per tonne)

Close	1505.6	1534.5	1517.8	1503.5	1545.6/1530	1503.5/1535	1542.4
Previous	1497.8	1517.8	1503.5	1503.5	1545.6/1530	1503.5/1535	1542.4
High/low	1505.6	1534.5	1517.8	1503.5	1545.6/1530	1503.5/1535	1542.4
AM Official	1503.5	1532.5	1517.8	1503.5	1545.6/1530	1503.5/1535	1542.4
Kerb close	1503.5	1532.5	1517.8	1503.5	1545.6/1530	1503.5/1535	1542.4
Open Int.	27,901	27,901	27,901	27,901	27,901	27,901	27,901
Total daily turnover	565	565	565	565	565	565	565
II LEAD (\$ per tonne)							
Close	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
Previous	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
High/low	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
AM Official	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
Kerb close	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
Open Int.	40,250	40,250	40,250	40,250	40,250	40,250	40,250
Total daily turnover	5,888	5,888	5,888	5,888	5,888	5,888	5,888
II NICKEL (\$ per tonne)							
Close	6165.75	6256.50	6256.50	6256.50	6256.50	6256.50	6256.50
Previous	6025.35	6120.30	6120.30	6120.30	6120.30	6120.30	6120.30
High/low	6155.0	6306.50/6310.00	6306.50/6310.00	6306.50/6310.00	6306.50/6310.00	6306.50/6310.00	6306.50/6310.00
AM Official	6160.5	6256.50	6256.50	6256.50	6256.50	6256.50	6256.50
Kerb close	6160.5	6256.50	6256.50	6256.50	6256.50	6256.50	6256.50
Open Int.	55,005	55,005	55,005	55,005	55,005	55,005	55,005
Total daily turnover	14,203	14,203	14,203	14,203	14,203	14,203	14,203
II TIN (\$ per tonne)							
Close	5375.85	5455.00	5455.00	5455.00	5455.00	5455.00	5455.00
Previous	5345.50	5425.50	5425.50	5425.50	5425.50	5425.50	5425.50
High/low	5375.85	5425.50	5425.50	5425.50	5425.50	5425.50	5425.50
AM Official	5380.5	5455.00	5455.00	5455.00	5455.00	5455.00	5455.00
Kerb close	5380.5	5455.00	5455.00	5455.00	5455.00	5455.00	5455.00
Open Int.	17,827	17,827	17,827	17,827	17,827	17,827	17,827
Total daily turnover	3,439	3,439	3,439	3,439	3,439	3,439	3,439
II LEAD (\$ per tonne)							
Close	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
Previous	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
High/low	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
AM Official	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
Kerb close	588.0/589.5	600.5/602	589.5/602	589.5/602	589.5/602	589.5/602	589.5/602
Open Int.	40,250	40,250	40,250	40,250	40,250	40,250	40,250
Total daily turnover	7,193	7,193	7,193	7,193	7,193	7,193	7,193
II COPPER, grade A (\$ per tonne)							
Close	671.5/672.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5
Previous	665.5/670.5	675.5/676.5	675.5/676.5	675.5/676.5	675.5/676.5	675.5/676.5	675.5/676.5
High/low	671.5/672.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5
AM Official	670.5/672.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5
Kerb close	670.5/672.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5	685.5/686.5
Open Int.	96,607	96,607	96,607	96,607	96,607	96,607	96,607
Total daily turnover	17,198	17,198	17,198	17,198	17,198	17,198	17,198
II CRUDE OIL, \$ per barrel							
Close	3575.85	3645.00	3645.00	3645.00	3645.00	3645.00	3645.00
Previous	3545.50	3625.50	3625.50	3625.50	3625.50	3625.50	3625.50
High/low	3575.85	3645.00	3645.00	3645.00	3645.00	3645.00	3645.00
AM Official	3580.5	3645.00	3645.00	3645.00	3645.00	3645.00	3645.00
Kerb close	3580.5	3645.00	3645.00	3645.00	3645.00	3645.00	3645.00
Open Int.	17,827	17,827	17,827	17,827	17,827	17,827	17,827
Total daily turnover	3,439	3,439	3,439	3,439	3,439	3,439	3,439
II ENERGY							
Close	6249.00	6290.00	6290.00	6290.00	6290.00	6290.00	6290.00
Previous	6247.50	6285.50	6285.50	6285.50	6285.50	6285.50	6285.50
High/low	6249.00	6290.00	6290.00	6290.00</td			

MARKET REPORT

Recovery halted as inflation worries resurface

By Terry Byland,
UK Stock Market Editor

An attempt to recover from the profit-taking of the previous session was abandoned yesterday after the latest data on the US economy raised the spectre of inflationary pressures. But, once again, it was the UK blue chips which looked uncertain. The broader market held steady and strength in building shares reflected underlying confidence in the progress of economic recovery.

At best, the FT-SE 100-share Index was more than 15 points up. The rises in French bank rates announced after London had closed on Tuesday were dismissed as purely technical moves, with no serious implications for today's meeting at the Bundesbank, where

most analysts believe German rates will be left unchanged. A modest fall in the UK Purchasing Managers Index encouraged hopes for non-inflationary growth, although this index is not yet taken too seriously by the stock market.

However, gains were quickly whittled away when London caught the hint that the New York markets would react negatively to the July US leading economic indicators, which showed a rise in material prices, known to be a sensitive area at the Federal Reserve; the Chicago Purchasing Managers report seemed to indicate similar trends.

Some commentators revived the word "stagflation" coined 20 years ago to describe the combination of rising prices and slowing economic growth.

The FT-SE 100 Index ran back

almost to its overnight level as the big trading houses sought to reverse their trading positions in a hurry. However, a late rally left the index at a final reading of 3,251.3 for a gain of 1.7 points on the day. Trading volume increased in the second half of the session as arbitraging was reported between stock index futures and underlying equities. But the FT-SE Mid 250 Index, incorporating a wider range of second line stocks, remained firm, closing 2.8 higher at 3,816.5. Several trading programmes were reported, and these increased the pressures from the stock index futures sector.

Seated trading volume of 647.3m shares was nearly 8 per cent above Tuesday's figure, which in turn reflected a 3.22bn in retail worth and confirmed the return to higher levels of investment activity

since the most recent upswing in the stock market.

A market highlight in terms of share price movement, although not in trading volume, came in the defence sector, which responded to the \$10bn merger of Lockheed Corporation and Martin Marietta in the US. Shares in both British Aerospace and GEC rose smartly as the stock market revived past hints that GEC might seek closer links with, or bid for, Aerospace. By the close, GEC shares had given back the gain but Aerospace remained in demand. On balance, however, the stock market did not sound convinced of its own hopes for an early bid.

Interest rate-related stocks, including most of the store and retail issues, made a good recovery from the bout of profit-taking

endured in the previous session, although Kingfisher, the high street trader, suffered from the implications for Dart, its French retailer, of the rises in bank interest rates in that country.

Traders said that the underlying tone of the stock market had remained very firm yesterday. The economic data from the US provided a somewhat discouraging cur-

tail-raiser for the more significant statistics on US unemployment and

payrolls due on Friday, which are

likely to set the pace for world markets next week.

Today will bring both the meeting

of the Bundesbank policy council and also the wider ranging US purchasing managers survey. Either could have significant effect on near-term views on the equity market outlook.

Defence stocks on alert

Defence and industrial giant British Aerospace advanced sharply as speculation that it is to merge with defence electronics group GEC returned to the market.

The talk was fuelled by this week's \$10bn merger between Lockheed and Martin Marietta, and shares in BAe closed 20 ahead at 504p, having touched 50p earlier in the day, to make

it the best performing stock among FT-SE 100 constituents. However, turnover at 2.6m was modest and several analysts suggested that a merger was unlikely in the near term. Trade in GEC was also light, totalling a mere 1.3m. The shares held at 306p.

One market watcher said: "I find today's move in BAe surprising; after all, the new merged group in the US is likely to provide stiff competition."

Some dealers put the day's rise down to straightforward catching up following recent under-performance. Others pointed to some switching from Rolls-Royce into BAe.

EQUITY FUTURES AND OPTIONS TRADING

Worries over inflation following the release of US economic data checked an advance in stock index futures, although dealers reported a positive

turn to the sector, writes Joe Kibazo.

A firm opening to trading in the September futures contract on the FT-SE 100 at 3,260

encouraged early buying, especially from independent, or local, traders. Sporadic demand was also seen from some of the leading institutions in the first half. The contract moved steadily forward and reached a peak for the session of 3,284 in the late morning.

At this stage the contract was showing a healthy premium to the underlying cash market and dealers used the opportunity to arbitrage between the two markets.

Following a bout of inactivity over the lunchtime period, the contract slipped back after the release of a clutch of US economic indicators, which brought back some fears on inflation.

September closed at 3,263, unchanged on the day but at a 13-point premium to cash on turnover of 10,145 lots.

Good activity in the FT-SE 100 option boosted volume in the traded options. Total turnover at the close stood at 51,697 lots, or which 18,709 were held in the FT-SE 100 option and 1,525 in the Euro FT-SE option.

Pilkington was the busiest stock option with 1,250 contracts transacted.

Bank said the rationale was quite simple: "The shares were on too much of a premium to the sector and looked vulnerable. We had the stock on a trading buy at 20p, and 24p was quite a good level to take profits."

However, there was some confusion as the negative advice came the day before an expected 70-page BZW review of the sector and five days ahead of interim figures which are expected to begin a jumpy reporting period. Textile profits have been badly affected by Continental competition and the inability to raise prices of goods leaving the factory gate at a time when raw material

costs are creeping up.

William Baird, which reports on September 7, was flat at 234p, while Courtaulds Textiles with figures on September 15, eased 3 to 45p.

NIE in demand

While the rest of the electricity sector paused for breath after the startling post-distribution review, shares in Northern Ireland Electricity (NIE) up to match their all-time high as the market responded to news that the IRA had declared a cessation of violence in the province from midnight yesterday.

Analysts focused on the potential benefits to NIE from the ceasefire, which include a substantial saving on the cost of intensive security at its installations in the province and expected closer ties with the Republic of Ireland.

Analysts estimated that the savings on security costs could come out at 90.5m and pointed to the good opportunities for NIE to export electricity to the Republic, which suffers from supply shortages. Other bull points for NIE included increased US investment in Northern Ireland which, if involving investment in manufacturing, would flow into NIE's core home market.

Hoare Govett, the stockbroker, and a long-time bull of NIE, forecast that NIE's current 3 per cent yield discount would go out to 10 to 15 per cent and said positive sentiment would drive the NIE share price. The broker's fair

value estimate for NIE is 450p. The stock ended 21 dearer at 419p, having touched 421p. Internationally traded stocks with a heavy US presence came under pressure as a result of a weak Wall Street. SwissKline Beecham attracted profit-taking following the earlier boost from its acquisition of Sterling Health. There was also talk that one small US

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AUTHORISED UNIT TRUSTS

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INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including compensation paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

RED PRICE: Called redemption price. The price at which units are sold back by investors.

levels because of an interesting portfolio reorganization or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the newspaper deal at the price to be set at the time of publication.

the *asked* price. The *minimum spread* between the *offer* and *bid* prices is determined by a *foreign bid* shown by the government. In practice, most bid. What most quoted a *small* minimum spread. As a result, the *bid* price is

SCHEME PARTICULARS AND REPORTS: The more recent stock and

price by the managers at any time, usually in circumstances in which there is a large excess of sellers over buyers.

TIME: The line above alongside the fund manager's name is the line of the unit trust's operation point minus another line if indicated by the symbol preceding the individual unit trust name. This symbol, say as 'TENURE: 200', is omitted to

names. The symbols are as follows: (W) - COST to 7000 hours; (W-170) to 7400 hours; (W-149) to 17000 hours; (W-170) to midnight. Daily shooting prices are set on the basis of the estimation point; a short period of time may allow higher prices because of ample.

HISTORIC PRICING: The letter H denotes that the recipient will receive a deal on the prices set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels, because of an intervening auction.

levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The manager must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the customers deal at the price to be set at the time of the forward contract.

The next valuation, investors can be given an estimate price in absence of the purchase or sale being carried out. The price appearing in the newspaper are the most recent provided by the exchanges.

SCHEME PARTICULARS AND REPORTS: The more recent report and

Further information and recent reports and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Roads Service.

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MARKETS REPORT

Lira recovery continues

The lira yesterday continued its gradual recovery on the currency markets to again reach the L1,000 level, writes Philip Gauthier.

A combination of favourable events - most recently, a favourable floating rate bond auction - helped the lira to a London close of L1,000 against the D-Mark, from L1,007 on Tuesday.

Elsewhere in Europe, the D-Mark's performance was fairly mixed, as it failed to benefit from the upward trend in French interest rates. The franc was barely changed at FFr3.422 against the D-Mark from FFr3.423.

The announcement that the Irish Republican Army was suspending military operations after 25 years had little discernible impact on the pound.

The trade weighted sterling index finished at 78.1 after opening at 78.2.

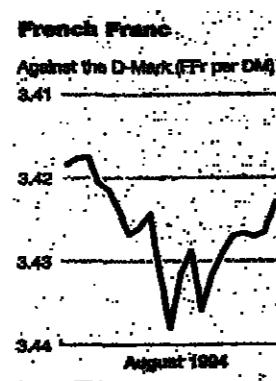
Markets about progress in the US-Japan trade talks helped the dollar finish firmer against the yen at Y100.175, from Y99.65. It finished slightly lower against the D-Mark at DM1.3783 from DM1.3805.

Overall activity was quiet, with most traders focusing on today's Bundesbank council meeting, and the release tomorrow of the monthly US employment report.

The firmer lira was one of a number of currencies which defied those who thought higher rates in France would favour the D-Mark. Mr Adrian Schmidt, international economist at Chase Manhattan, said there were three factors which explained the lira's recent recovery from a low of L1,030 on August 12.

These were the firmer tone to the dollar, improved expectations of a credible budget package - based primarily on government plans to implement a pension reform package - and the good response to Tuesday's auction.

While the recent absence of political tensions has clearly helped the lira, most observers believe the market will continue to place a risk premium on it, until there is evidence of sustained calm on the political front.



Source: FT Graphics

E Pound in New York

Aug 31 - Lastest - Prev. close -

3.42 - 3.41 -

3.44 - 3.43 -

3.45 - 3.44 -

Against the D-Mark (FF per DM)

3.41

3.42

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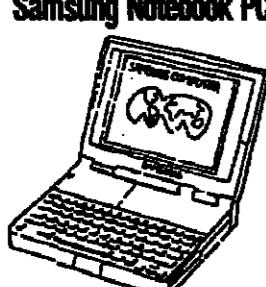
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AMERICA

Profit-taking emerges as carmakers weaken

Wall Street

Blue chip stocks succumbed to profit-taking yesterday morning, as a weak bond market encouraged investors to regroup after the recent surge in share prices, writes Frank McCarty in New York.

By 1 pm, the Dow Jones Industrial Average was 3.24 lower at 3,914.06, but the more broadly based Standard & Poor's 500 was off a scant 0.35 at 4,097.74.

Still, advancing issues were outnumbering decliners on the Big Board by an impressive four-to-three margin, in moderate volume of 1.70m shares.

In the secondary markets, the American Stock composite gained 0.28 at 453.55, and the Nasdaq composite was down 0.69 at 765.77.

On balance, the day's conflicting economic news was neutral for the stock market. The Commerce Department reported a 2.2 per cent decline in factory orders, against forecasts of a 2.0 per cent fall.

The slowdown supported the notion that the economy was cooling down enough to delay the Federal Reserve's move to tighter money.

The credibility of that scenario, which was responsible for the recent rally in share prices, was reinforced by the monthly survey of Purchasing Management Association of Chicago. The trade group said that its August index of business activity receded from the previous month's level.

However, the price-paid component of the Chicago report showed a big jump, derailing the inflation-sensitive

bond market. With Treasury prices slipping, equity investors took a breather after running up the value of Dow industrials by 15 per cent over the previous six sessions.

But the profit-taking remained light. General Motors, off 3% at \$51.4, was showing the biggest drop among the 30 Dow components.

Some of GM's weakness was probably linked to a renewed concern over Chrysler's future performance. Shares in the third-largest US car maker were marked down 3% to \$48.40 on reports that company insiders had sold stock valued at \$7m in late July. Ford shed 3% to \$30.

Semiconductor stocks were the session's hardest-hit sector. Texas Instruments plunged 9% to \$76.40 after SoundView Financial Group downgraded the issue. Earlier, a Japanese court rejected the company's claim of patent infringement by Fujitsu.

Micro Technology, which was also knocked off SoundView's "buy" list, was down 3% at \$41.4.

NorAm Energy, a leading gas utility and pipeline operator, surged 21 per cent to \$74. The net gain of 8% came in response to a decision by a federal court in Houston to throw out a longstanding lawsuit against the company.

In the pharmaceutical sector, which has come to life amid a flurry of high-profile acquisitions, Warner Lambert gave back 2% to \$84. During the previous session, the stock bounded 5% higher to set a 52-week high.

Many investors were betting

that the company's line of consumer products would make it an attractive takeover target.

It was a relatively quiet day on the Nasdaq after eight straight sessions on the upswing.

But Castle Energy jumped 5%, or 20 per cent, to \$17.60, its highest level in the past 52 weeks after the company settled a contractual dispute with Metallgesellschaft, the German group.

Turnover was volatile, with the CAC 40 index hitting an early low of 2,038.44, only for Wednesday's post-bourse rises in French banks' base lending rates; in the end, the key index managed to shrug off a drop in bond futures and closed 8.71 to the good at 2,069.08.

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KANSAI

Thursday September 1 1994

A beautiful window of diverse pieces

Deregulation, infrastructural developments and its own resourcefulness all contribute to the region's confidence that it can at last compete with Japan's national capital, writes Michiyo Nakamoto.

In a recent television advertisement, aired in western Japan, demons that bring poverty in national folklore were shown dressed in rags, stalking the grounds of Osaka castle. On hearing of the convenient new Kansai International Airport, they decide to take advantage of its opening to fly east to Tokyo.

The joke, at the expense of the Japanese capital, captures the current mood in Kansai, the region made up of the six prefectures of Osaka, Hyogo, Kyoto, Nara, Wakayama and Shiga, that span the western stretch of Japan's main island of Honshu, between the scenic Lake Biwa on the east and the Chugoku mountain range on the west.

After years of trying to catch up and compete with Tokyo, and of suffering unfaltering comparisons with its more cosmopolitan rival as a result, Kansai has recently begun to feel a greater confidence in what it has to offer as an alternative to the capital.

"The advantage of being in Kansai is that you are less disrupted by political noise," says Mr Tsuzo Murase, executive vice-president of Matsushita, the world's largest consumer electronics group, which has its headquarters in Osaka.

Businessmen point to the greater openness of Kansai people to new ideas, compared with Tokyo, their ability to make quick decisions and their talent for spotting new business opportunities, as evidence that the region is better suited to the more competitive business environment in the 1990s. Confidence in the region is

such that the 21st century is being hailed as the era of Kansai, as opposed to Tokyo.

What will make Kansai so special in the years ahead, according to its proponents, is the different opportunities the region offers from Tokyo. For one thing, its relative proximity to the Asian continent and

Mr Masafumi Onishi, chairman of the Osaka chamber of commerce and industry, and of Osaka Gas, likens Kansai to a stained-glass window in which very different parts make up a beautiful whole.

But the infectious optimism that pervades the Kansai establishment stems also from a conviction that, with the recent completion of a range of ambitious infrastructural projects, the region is finally coming into its own. For the first time in many years, Kansai people feel they have every reason to be proud of their compatriots in Tokyo have.

From this month, the region will have the impressive new international airport that is slated to offer Japan's first 24-hour air terminal services, and which will be a hub for domestic flights. Osaka Bay, along which lie some of the region's most vibrant cities, such as Osaka itself and Kobe, a famous port, is now the proud home of no fewer than three man-made islands, one of which is the site of the new airport.

The narrow corridor of sea that separates the city of Akashi, in Hyogo prefecture, from Awaji Island will soon be spanned by a spectacular suspension bridge that, it is claimed, will be the longest in the world. And further south, just off the coast of Wakayama prefecture, another artificial island has been built to accommodate Japan's biggest marina.



Osaka stock exchange is the world's fourth largest by capitalisation; while the city's business park (inset), near the castle, has changed the skyline

Main picture: Ashley Ashwood

Inset: The business park near the castle, has changed the skyline

On land, a vast science, culture and art centre, covering 15,000 hectares in the three prefectures of Kyoto, Osaka and Nara, is taking shape; while the skylines of principal cities in the region have been transformed by the high-rise office buildings and expansive business parks, such as the Osaka business park near the Osaka castle, that have been built in recent years.

This frantic investment in infrastructure, which is costing the regional economy dearly, was Kansai's response to a sense of crisis that gripped its economic leaders several years ago. Unless something was done to revitalise the region, they feared, its vitality could be sapped by the growing dominance of Tokyo and its neighbouring prefectures on the Kanto plains.

While Kansai's gross regional product is equal approximately to that of Canada, and is forecast to exceed that of the UK by the year 2000, there has been a strong feeling among the business community that the region's economic vitality has not received the recognition it deserves.

Tokyo, the centre of Japan's political, economic and cultural life since the end of the war, seemed to have everything; while Kansai, which encompasses the ancient capitals of Nara and Kyoto as well as the merchants' city of Osaka and the port city of Kobe, has long been regarded as a region steeped in history and bubbling with creative ideas, but not quite able to claim the world-class stature of Tokyo.

Osaka, Kansai's economic powerhouse, boasts a stock exchange that is the fourth largest in the world by market capitalisation, global giants such as Matsushita, and the largest concentration of pharmaceutical companies in the country. Its status as a merchant town has encouraged an entrepreneurial spirit and an openness to new ideas that is unknown in Tokyo; and it has created a distinct culture that gave birth to such national phenomena as Yoshimoto Kogyo, an entertainment company that has provided Japan with most of its famous comedians.

Kyoto and Nara, two ancient capitals, are treasure-houses of traditional Japanese culture; while Kyoto is the home of

many vibrant new businesses, ranging from the industrial ceramics leader Kyocera to Nintendo, the video games company. Kobe, a famous port renowned for its tender beef, is also a bustling commercial centre.

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[formula (for) Success]

Kansai is Japan's fastest developing region. Home to 17% of the country's entire population, it contains the cities of Osaka, Kyoto, Nara, and Kobe. A highly industrialized region, Kansai's GDP is already the equivalent of Canada's or half that of France. And that's just to start.

As the 21st century begins, Kansai is set to be one of the most prominent business and economic hubs for the entire Pacific Rim. Take a look at the signs. The opening in just a few days of the Kansai International Airport, Japan's first 24-hour major airport. The impressive number of ongoing and scheduled private and public sector projects to reinforce Kansai's infrastructure. And much more on the way.

It all means better growth potential for Kansai Electric. Even as you read this, power demands in our service sector are increasing. We're also effectively implementing some of the most advanced and environment-friendly power technologies around, as well as researching alternative power production. Diversifying into telecommunications and heat supply fields has also proved very productive. Factors like these backed by solid management and international recognition of Japanese power industry reliability helped us achieve Moody's highest credit rating.

Use our formula for quick success. It's been proven.

THE
KANSAI
ELECTRIC POWER CO., INC.

3-22, NAKANOSHIMA 3-CHOME
KITA-KU, OSAKA 530-70 JAPAN
TEL: 81-6-446-6360 FAX: 81-6-441-0569

*Financing Section direct line.

KANSAI II

The economy: Michiyo Nakamoto finds popular optimism running ahead of actual recovery

Feeling good under grey skies

The ticket vending machines at Osaka station offer a convenience unknown in other parts of Japan. Instead of having to patiently insert one coin at a time, ticket buyers can throw in up to five coins all at once.

Right in front of the station, the traffic lights inform pedestrians how much longer they must wait for the light to turn green.

The ticket machines and traffic lights suit the restless nature of the tradesmen of Osaka, the commercial heartland of the Kansai region, where the pace is fast and the people are *izuchi* - or impatient, in the down-to-earth local dialect.

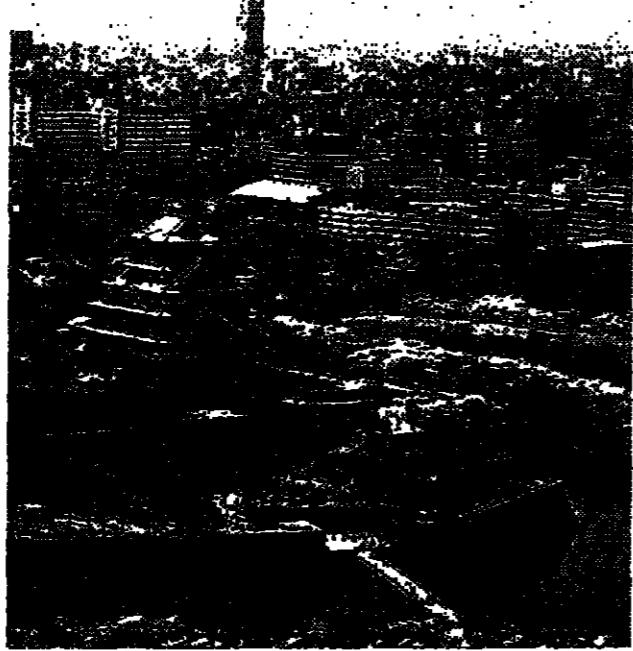
Lately, the innate impatience of Osaka folk, coupled with their natural optimism, has extended to their views of the economy, prompting a growing feeling that the recovery which the whole of Japan has been anxiously waiting for, has finally arrived.

It has arrived. Osaka street wisdom has it, not in Tokyo but in the Kansai.

Even the national press has highlighted the recent plethora of publications on Kansai, the increase in new car registrations in June, and the jump in travellers to the cities of Kyoto and Osaka this year, and has concluded that Kansai is further down the road to recovery than Kanto, the region consisting of Tokyo and its surrounding prefectures.

"Although it may not show in the statistics, people say that there is a liveliness in the Kansai economy," asserts Mr Takaharu Akitake, general manager of the Kansai economy research department, at Daiwa Research Institute in Osaka. "There are no bright spots on the horizon in Tokyo as far as the economy is concerned, but as a region, Kansai is feeling healthy," he says.

But available evidence hardly justifies such confidence. The region's gross product fell last year for the first time in 18 years, by 0.1 per



Osaka Business Park was developed to meet demand for office space

cent. Osaka's business district suffers an embarrassing abundance of empty offices, and the streets are littered with "for rent" signs.

Commercial land prices in the Osaka area fell 19.5 per cent in 1992 and 24 per cent in 1993, while residential property prices saw a fall of 23 per cent two years ago and 17 per cent last year, according to the Osaka chamber of commerce and industry. And prices are still falling.

"For the next three years the Osaka market is going to be a tenant's market," says Mr Paul Boylan, a consultant to Sekisui House, Japan's largest house builder. "Rents are falling, land prices are falling and the knock-on effect from the Kansai International Airport is not happening."

Large new developments like the Osaka Business Park, Rokko Island and Rinku Town were developed to meet rising demand for office space, but

excess in the late 1980s - such as the disclosure that the prestigious Industrial Bank of Japan had made loans of up to Y240bn to an Osaka restaurateur, who made speculative stock market purchases based on seances and has been charged with fraud and forgery.

Companies based in Kansai, from Matsushita, the world's largest consumer electronics company, to Obayashi, the general contractor which owns Bracken House, are still suffering from the debilitating effects of Japan's longest recession since the war.

Meanwhile, traditional industries, such as textiles, which used to support the region's economy, have suffered not only from the downturn in consumer spending but also from an influx of cheaper imports from other Asian countries.

Nishijin, a town outside Kyoto where expensive, traditional silk kimono are woven by hand, has seen the number of families in the business fall from 270,000 to just 20,000. "At the present, Nishijin weaving is surviving as an industry. But there is a question as to what will happen in five years' time," laments Mr Yoshiro Katsuyama, a director of the Nishijin weavers' industry union.

The slump in consumer spending, which has hit department stores sales particularly hard, has forced Seibu, a prestigious retailer, to take the unprecedented step of closing its store in Kobe.

Nevertheless, hopes are rising that, with the worst of the recession behind it, Kansai can take the lead in pulling the country out of recession.

With the current coalition government facing an uncertain future, and with many conventional business practices being questioned, Tokyo companies will not be able to take advantage of their proximity to the central halls of power, reckons Mr Yoshihiro Otani, general manager of public relations at the Osaka

chamber of commerce. In contrast to Tokyo's current powerlessness, he says, "Kansai businesses have always relied on their own strength rather than on the central government."

Faced with uncertainty, Kansai is thus better placed to pull itself out of the long downward spiral of the past few years by sheer ingenuity and drive. "The 21st century is the era of Kansai," Mr Otani declares.

Part of this optimism in Kansai can be attributed to the psychological impact of the many large-scale projects that are expected to significantly improve the area's infrastructure and increase its cultural and academic appeal.

Apart from the international airport, which will bring more tourists and businessmen to the area, the new roads and railways, built to accommodate the increased traffic, the need for surrounding facilities, such as distribution warehouses and conference halls, and new services, are expected to raise economic activity. Investment in surrounding facilities totals Y3,000bn (\$30bn) says Daiwa's Mr Akitake.

In addition, projects to build facilities such as the Kansai Science City, will bring research and cultural activities to the area. Science City, which spans Osaka, Kyoto and Nara, is the site of the first multimedia experiments being held under the auspices of the ministry of posts and telecommunications.

The Akashi Kaikyo Bridge, connecting Awaji Island with the mainland, will become the longest suspension bridge in the world. Wakayama, to the west of Osaka, will host an international resort exposition this year on a reclaimed island in the Sea of Japan.

All of this activity will help to spur economic growth in the Kansai region by 1.3 per cent this year and 3.3 per cent in 1995, Daiwa Research forecasts.

Observers also believe that the push for economic deregulation that is being seen in

Tokyo is another reason why Kansai has a better chance of recovery than Tokyo. The region has always fostered an entrepreneurial spirit that has in the past given rise to new businesses, such as instant noodles (which have become a staple throughout Japan), self-service sushi bars and karaoke.

But for many years, Kansai has had to watch successful businesses move out to Tokyo in order to be close to the sources of information and the seat of political and bureaucratic power.

As the bureaucracy is increasingly forced to relax its grip on authority and on information, more businesses will find it easier to grow in Kansai, and the region will benefit from its intrinsic resources, Mr Akitake believes.

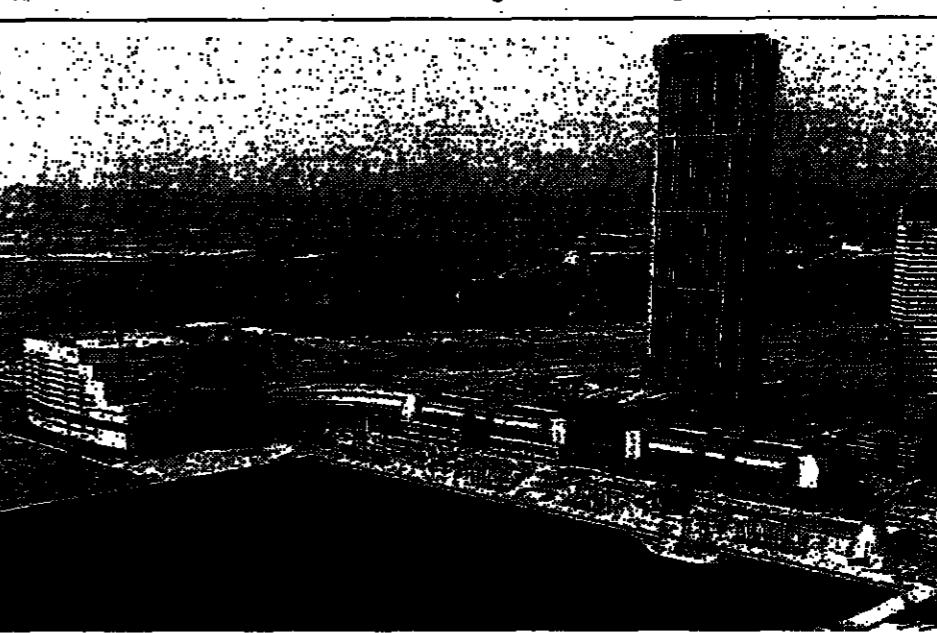
"It would be dangerous to have everything concentrated in Tokyo," he warns. With the new airport, improved infrastructure and less red tape, Kansai can now offer an alternative. "This is not just for the good of Kansai, but the good of Japan as a whole."



Science City is the site of multimedia experiments, under the auspices of the ministry of telecommunications

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The Asia and Pacific Trade Centre was opened in Osaka, in April

Trade links with Asia are increasingly important

In place of the west

To declare that Kansai has important commercial ties with Asia - as Kansai officials and businessmen often do - is something of a truism: Japan's whole economy is dependent on Asia, and Kansai is no exception.

Like other Japanese companies, Kansai-based corporations such as Matsushita Electric and Sharp have invested and traded heavily in Asia. Like other regions of Japan, Kansai has been affected by the strength of the yen, and its industries are embarking on a new round

of factory relocations from Japan to cheaper sites in south-east Asia and China.

But Kansai boasts that its trade links with other Asian countries go back to the eighth century, when Nara was a terminus of the silk road; and even to the fifth century, when Osaka is said to have thrived as one of Japan's first sea ports.

Today Kansai collectively continues to emphasise the importance of Asia and Asia's fast-growing economies. Businessmen, disappointed by the performance of their

investments in Europe and America, sometimes take it for granted that the west is in decline and therefore rely on Asia more than ever.

About 47 per cent of exports from Kansai go to Asia - more than to North America and Europe combined. (Asia takes only 34 per cent of Japanese exports as a whole). Asia also provides the biggest share of Kansai's imports (43 per cent, compared with 32 per cent for the whole of Japan).

Traditionally, most of these

Confidence on facing page

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KANSAI III

Politics: William Dawkins on an enduring consensus

A regional lesson for national rulers

Japan's lurch over the past year into an era of unstable coalition governments has raised ironic smiles among Kansai politicians.

Mainstream political parties, with the exception of the eccentric communists, have been working together in Kansai in what might be described as loose coalitions for many years. They may have a lesson to teach their national government colleagues in Tokyo, who struggle to achieve political stability in their fourth government within the space of a year.

In Osaka and Kyoto, the two most populous of the six prefectures that make up Kansai, local governors and mayors are chosen by agreement between the main parties, and can count on cross-party support.

In Osaka and Kyoto, governors and mayors are chosen by agreement between parties, and can count on cross-party support

SDP's Mr Nishikawa. Overall, the LDP has the strongest power base in Osaka, with 48 seats on the 104-seat prefectural assembly, followed by the SDP with 23, Komeito with 18, the Japan Communist party with 11, and three independents.

Osaka politics may be different, but the need to maintain contacts in Tokyo is as crucial as ever. The region is dependent on central government in Tokyo for cash to fund its ambitious projects, such as a badly needed extension to Kansai airport - short of capacity before it even opens - and Kansai Science City.

Traditionally, local politicians have relied on three clear lines of influence to defend their interests in central government: members of parliament; the LDP's sectoral lobby groups, known as zoku; and direct approaches to the government ministries concerned with particular issues. The weakening of the LDP and its formerly powerful zoku, due to its 11-month spell in opposition until returning to power at the end of June, means that local politicians will increasingly rely on direct lobbying to the government bureaucracy.

"It is a very slow system. It took us 10 years of lobbying to complete one runway for the new airport, and now we need another one. Over the past year, we have had a very hard time trying to get the budget for this. First the governor had to approach the Hosokawa,

cabinet, then a few months later there was the Hata cabinet, and now we are back in power," says the LDP's Mr Matsui.

The LDP, SDP, JRP and Komeito see eye to eye on the most important regional policies, to continue promoting Kansai's big public works projects, to lobby for greater budget independence from central government, and to channel more financial support to small businesses that make up the backbone of the regional economy.

In Kyoto, the main item on governor Aramaki's big-ticket shopping list is a new government guesthouse in the grounds of the city's former imperial palace. He thinks it is high time the Japanese government lodged visiting dignitaries in a traditional Japanese-style house, rather than the present minister of Versailles in central Tokyo. If Mr Aramaki gets his wish, which hangs on a central government decision due in the next few months, he hopes to persuade the government to hold the Group of Seven



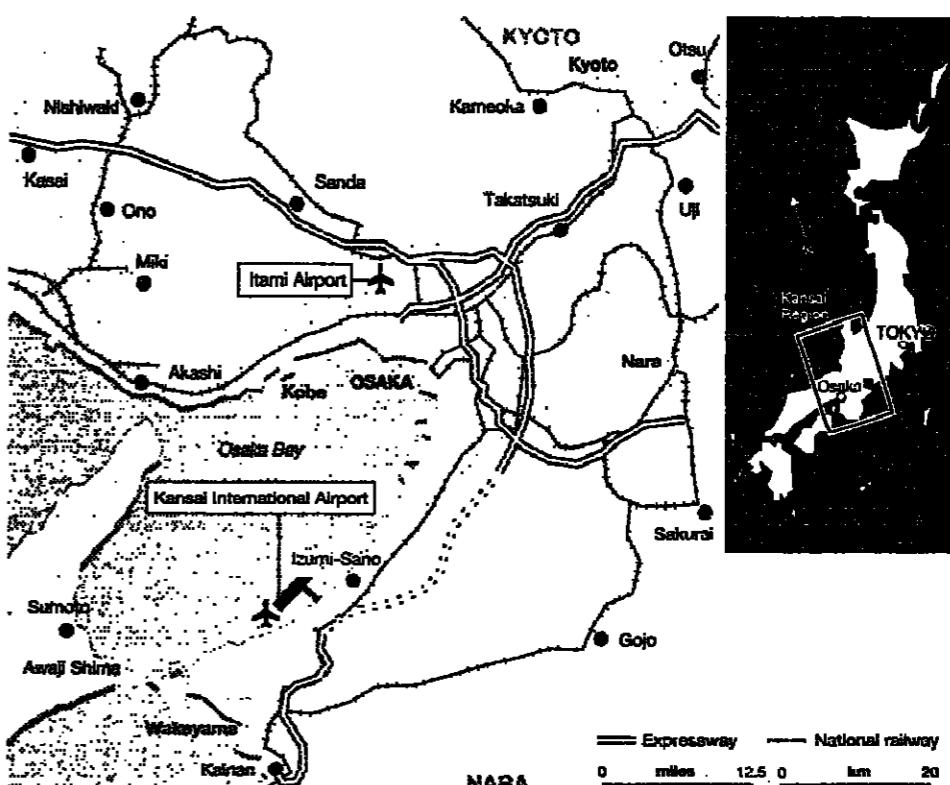
Mr Teiichi Aramaki is in his eighth year as governor of Kyoto

annual summit in Kyoto, when it is Japan's next turn to host the G7 in 2000.

One of the most pressing concerns for the JRP's Mr Ishii is to give greater control over fiscal policy to the prefectures. That argues Mr Ishii, will be the key to transferring more power from central government to the regions. At the moment, two thirds of the region's taxes go to central government, yet two thirds of regional spending is made by local government. That means

one third of tax revenues have to be transferred from central to local government. We need direct local taxation," he says.

That, argues Mr Ishii, will be the key to transferring more power from central government to the regions. This has been a subject of much political debate and little concrete progress for the past decade, briefly re-launched by local government. That means



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Osaka's socialist group, believes central government is becoming more sensitive to demands for decentralisation. At the LDP, Mr Matsui says his most important policy issue is to expand the volume of low-interest loans for small businesses, to help them survive the impact of the yen's rise. Here he is hoping to expand support for local trust

banks and farmers' co-operatives, which, unlike other banks, are controlled by the prefecture rather than the ministry of finance in Tokyo. Mr Matsui argues: "The yen's rise companies all the way down the line, but the smallest ones at the end of the chain of subcontractors are the most vulnerable. We must do what we can."

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Victor Mallet

KANSAI IV

Michiyo Nakamoto assesses the impact of the new airport

Progress without vision



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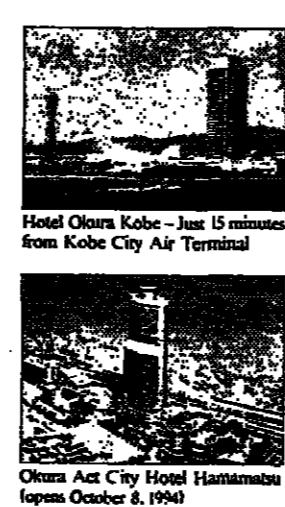
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"On a clear day you should be able to see Awaji Island across the water," the driver says, as he steers his taxi down the eye-catching, double-layered bridge that spans the stretch of sea between the mainland and Kansai International Airport (KIA).

"Unfortunately, there's usually a mist over the water, and it's hardly ever possible to see the island," he adds apologetically.

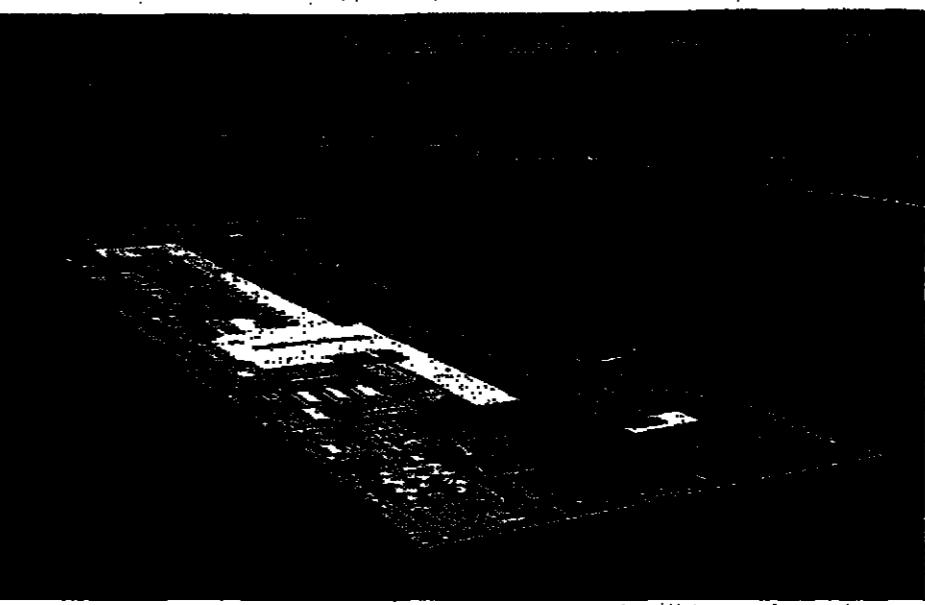
Kansai's striking new international airport may have many things in its favour, but clarity of vision is not one of its strengths, whether in the surrounding atmosphere or in its ambitious plans to become Japan's preferred hub for international travel.

Seven years after construction work started, the airport, built on reclaimed land about 4 kilometres off the shore of Osaka, opens 18 months late this Sunday with less than half the expected number of flights, a sinking foundation, and uncertainty surrounding expansion plans that are crucial if the airport is to become the gateway to the world that it hopes to be.

KIA's stumbling start throws into relief the lofty ambitions that inspired its private and public owners to embark on the costly and daunting task of building the world's first offshore airport.

The development that has been publicised as Japan's first 24-hour airport was conceived as the much-needed public project to transform its host city, Osaka, from an urban sprawl on the eastern edge of Asia to a shining metropolis. The opening of Kansai's doors to greater international traffic, it was believed, would place the region firmly on the map of every globe-trotting policymaker and businessman, and do wonders to the regional economy.

It may still happen. But even before its opening, the image of Kansai has been hurt, rather than helped, by the airport and its myriad woes which have overshadowed the positive aspects of the airport, such as the striking terminal building designed by Italian architect Renzo Piano, or the conve-



The airport, built on reclaimed land 4 kilometres off the shore of Osaka, opens 18 months late this Sunday

nience it offers by servicing both domestic and international flights.

To many people, KIA is the sinking airport.

The first ever to be built on a man-made island, it ran up costs far exceeding initial estimates, largely because the land on which it is built sank more than was expected and had to be repeatedly fortified.

When experts gave opinions as to how much the island would sink, the airport author-

leaving the airport saddled with over Y1,000bn in debt. Interest payments alone amount to Y100m a day, and the airport is expected to suffer a loss of Y500m in its first year.

"We have to explore whether we will have to redraw our long-term plan or whether there is a way to avoid doing so," concedes Mr Ogawa.

KIA had planned to make a profit in five years, and to complete loan repayments and start paying dividends in 28

they landed. Airport officials were locked in negotiations until the last minute with the International Air Transport Association (Iata), which found KIA's fees unacceptable.

"We are a private company, and we must collect fees that cover our costs, otherwise we cannot exist," Mr Ogawa protests. KIA's landing fees are only 10 per cent higher than those at Narita, an amount that airlines can easily recoup by signing up a few extra customers, he says.

In the end, just weeks before the airport was scheduled to open, the KIA agreed to lower its fees to match those charged at Narita. But the move hardly boded well for KIA's efforts to earn as much as it can in fees towards the construction of two more runways.

Without that increased capacity, KIA will not be able to realise its true potential as an Asian hub. Having got over one hurdle, in setting initial landing fees, the airport operators now face another: even more contentious battles over how much of the estimated expansion cost of about Y1,000m is to be shouldered by the national and local govern-

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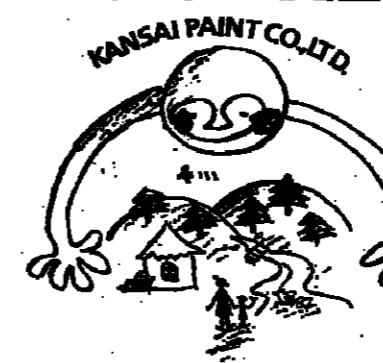
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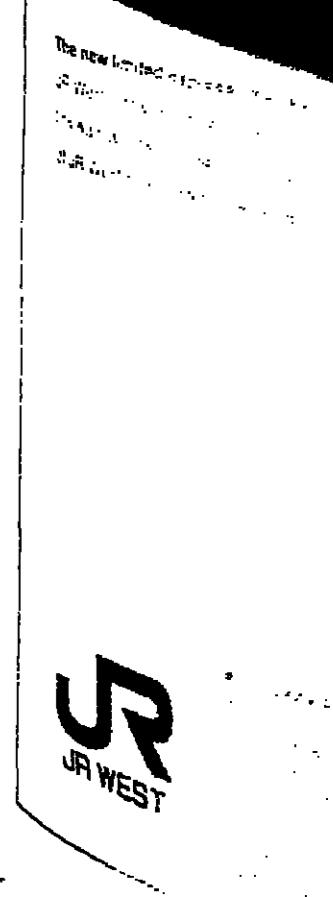
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Continued from facing page

ments, the local business community and the airport itself.

Nevertheless, KIA and the airport's loyal supporters in Kansai remain optimistic about its long-term prospects.

Mr Takaharu Akitake, general manager of the Kansai economy research department at Daiwa Research Institute, is one who believes strongly that the international airport will help revitalise the regional economy. Osaka International airport, which had served the region's international needs, is already up to capacity and has no room for expansion. The opening of KIA will encourage new companies to locate in the Kansai region, and make it easier to hold international conferences here. Mr Akitake points out, "Osaka then offers an alternative to Tokyo."

The expected increase in cargo traffic will also help the regional economy. As much as 85 per cent of air cargo in Japan is concentrated at Narita, the world's largest handling of air cargo. Since a large proportion of this is delivered to the Kansai area, KIA, which has the capacity to handle 1.4m tonnes of cargo a year, is expected to take much of the burden off Narita.

The new airport is also expected to stimulate more business with Asia. KIA offers direct flights to Asian countries not represented at Narita, including Nepal, Vietnam and Mongolia.

Assuming that KIA signs up 397 international flights and 441 domestic flights a week, the research institute expects the extra economic activity generated by the airport to add 1.56 per cent to the gross regional product.

There is a shortage of airport facilities in Japan, Mr Ogawa points out. "Narita is full, so the fact is that Japan needs another international airport."

Compared with Narita, which is far from Tokyo's domestic airport, KIA, which serves both international and domestic flights, offers the convenience of easy transit to and from principal cities throughout Japan and the world.



The presence of such large manufacturing companies as Matsushita has supported an enormous network of suppliers

Osaka's small businesses are under pressure

The hidden strength of Osaka's economy, its army of subcontractors, is coming under unprecedented pressure.

The presence of some of Japan's largest manufacturing companies in the prefecture, like Matsushita and Sharp, has supported an enormous network of suppliers, so that small businesses make up a larger than average share of Osaka's economy.

More than 90 per cent of the local workforce is employed in companies of less than 300 staff. They produce 65.5 per cent of the region's industrial turnover, well above the 54.2 per cent for small businesses in the Tokyo region, according to the Osaka prefectural institute for advanced industry development.

As in the rest of Japan, the leading manufacturers have squeezed their suppliers' prices hard during the recession, as part of their cost-cutting strategies. This has been intense enough to drive some of the weaker suppliers out of business. At the start of Japan's recession in 1991, bankruptcies in Osaka grew faster than the number of new businesses for the first time. The sad trend has continued, says Mr Moriyuki Tsuda, director of industrial research at Osaka prefecture.

A tour of local

subcontractors suggests that prices are still under pressure, despite signs of an economic upturn, as the latest rise in the yen's value intensifies the pressure on export-dependent businesses to trim their costs. Suppliers of the big electronics companies are an example, says Mr Tanda.

The big manufacturers are understandably reluctant to push too many of their suppliers too hard, partly

The rising yen has intensified the pressure on export-dependent businesses to trim costs

because of traditional loyalties, but also because Osaka, like the rest of Japan, faces a labour shortage over the long term.

A classic example of pressures on Osaka's subcontractors is Takizawa Precision Gear, a tiny producer of machine gears, which has determinedly kept on its 14 staff throughout the recession.

Mr Kiyoshi Takizawa, its president, whose father founded the business in 1950, devotes 40 per cent of annual sales to his top three customers. The exposure is big enough to make it impossible

for the company to resist their demands for price cuts of between 5 per cent and 15 per cent every year for the past four years.

Sales have shrunk from ¥300m to ¥200m over the same period, perilously close to Takizawa's ¥180m break-even point. Instead of sacking his tiny workforce, Mr Takizawa has increased spending on training, borrowed ¥50m to re-equip with Swiss machine tools and carried out an engineering cost analysis. He took on two new employees last April, because he says the business will lose its edge if he does not rejuvenate the workforce.

Mr Takizawa's strategy of investing through a recession was typical of Japanese industry in the 1980s, but has been widely abandoned by most of its largest customers in the recent downturn. He justifies sticking to the old invest-or-die approach on the grounds that Takizawa has few foreign competitors, operating with the advantage of cheaper local currencies.

This allows him to market more on quality than on price. But Mr Takizawa admits that "there is nothing we can do" if the Japanese market continues to shrink.

William Dawkins

Pharmaceuticals in crisis

Consolidation is the likely cure

Along the narrow bicycle-lined street of Dosho-machin, in the Chuo-ku district of Osaka, are located some of Japan's biggest drug companies. By western standards, the headquarters are modest, lacking in ostentation. That is partly Japanese corporate style, but more significantly it reflects the failure of these companies, and their Tokyo counterparts, to compete on a global basis.

The combined consequences of the groups' lack of scale and the biannual price cuts are immense. It means the Japanese spend less than their western counterparts on R&D, and what they do spend is often misdirected. Admittedly, the industry spends a respectable proportion of sales on R&D, but because the groups' sales base is so small, the actual amounts available remain pitiful compared with western organisations.

These meagre amounts might possibly be enough to assure survival, if they were spent appropriately. But much R&D investment is misdirected.

Kunio Takeda, president of Takeda Chemical, explains that in order to counter the price cuts: "Manufacturers resorted to launching modified [non-innovative] compounds to serve development costs and time. Such policies are likely to damage the industry."

This led to a massive rise in the number of new chemical entities developed in Japan in recent years. The increase was mistaken by some observers as an explosion in innovative research. Between 1975 and 1989, Japanese companies launched 212 new chemical entities. Few of these were innovative enough to be used overseas.

Given the Osaka-based groups' proximity to each other, consolidation would, in theory, not be too arduous. Mergers tend to occur in Japan only when companies are in crisis. Admittedly, no Japanese drug group is losing money, but the crisis assailing them is no less real. Drug companies' directors must swallow their pride, consolidate their industry, refocus R&D, and internationalise. The alternative is permanent marginalisation.

the recession and appealed by demographic trends that indicate nearly a quarter of the population will be over 65 by the year 2025, has attempted to cut health-spending by attacking the drug bill. These efforts have included demand-side controls, as well as price cuts.

The combined consequences of the groups' lack of scale and the biannual price cuts are immense. It means the Japanese spend less than their western counterparts on R&D, and what they do spend is often misdirected. Admittedly, the industry spends a respectable proportion of sales on R&D, but because the groups' sales base is so small, the actual amounts available remain pitiful compared with western organisations.

These meagre amounts might possibly be enough to assure survival, if they were spent appropriately. But much R&D investment is misdirected.

Kunio Takeda, president of Takeda Chemical, explains that in order to counter the price cuts: "Manufacturers resorted to launching modified [non-innovative] compounds to serve development costs and time. Such policies are likely to damage the industry."

This led to a massive rise in the number of new chemical entities developed in Japan in recent years. The increase was mistaken by some observers as an explosion in innovative research. Between 1975 and 1989, Japanese companies launched 212 new chemical entities. Few of these were innovative enough to be used overseas.

Given the Osaka-based groups' proximity to each other, consolidation would, in theory, not be too arduous. Mergers tend to occur in Japan only when companies are in crisis. Admittedly, no Japanese drug group is losing money, but the crisis assailing them is no less real. Drug companies' directors must swallow their pride, consolidate their industry, refocus R&D, and internationalise. The alternative is permanent marginalisation.

Paul Abrahams

Conserving a culture

No business like funny business

Few Japanese people would consider a sense of humour to be a national characteristic. But in Kansai, cracking jokes is a way of life.

"When they are late for an appointment, Osaka folk will often greet their companion with a joke instead of apologising for their tardiness," observes Mr Kenji Miyashita, editor of the Kansai edition of PIA, a popular weekly magazine on city trends and events.

This instinctive humour has given rise to a strain of comedy that is distinctly Kansai, and which is exemplified in Yoshimoto Kogyo, one of the most successful entertainment companies in Japan. Amid one of the country's gloomiest post-war periods, Yoshimoto has been doing a roaring trade selling Kansai laughter. The company owns three theatres in Osaka, and earlier this year opened another in the classy Ginza district of Tokyo.

Yoshimoto's influence and the appeal of Kansai humour have been such that, to many Japanese people, comedy fails unless it is performed in the Kansai dialect.

"It is not surprising that Yoshimoto has been such a success," says Mr Tatsuya Terase, a civil servant living in Tokyo who comes from Osaka. "Everyone in Osaka is like a Yoshimoto comedian. It is no wonder that the better among them should be considered especially good anywhere else."

The cult, according to those who have lived there, begins early in life for Kansai folk. Unlike Tokyo, where schoolboys aspire to achieve high marks or win sports medals, popularity in the Osaka classroom depends less on intelligence or athleticism than on how funny you are.

The propensity of Kansai people to look for the funny side of things stems from a merchant culture which fostered the knack of spotting the unadorned truth beneath the respectable show that most people, especially Tokyoites, tend to put on.

"Kansai humour stems from the gap between *tatemae*, or human behaviour that follows

the social rules, and *honne*, or their true thoughts and feelings," explains Mr Masashi Noyama, manager of corporate information at Yoshimoto Kogyo.

There is also a happy-go-lucky attitude among Osaka people that contrasts sharply with the seriousness with which Japanese society takes most things in life, and adds to Kansai humour.

For example, if a cheque bounces, the Osaka businessman might call his lawyer and say, "something terrible has happened," as if it had happened to someone else, points out Mr Noyama. The contrast between the seriousness of the event and the easy-going attitude is what makes the situation funny, he explains.

Yet, while Kansai humour is today widely appreciated throughout Japan, Mr Noyama and others worry that the distinctiveness of the region's culture is being lost behind the uniformity of an increasingly influential mass media.

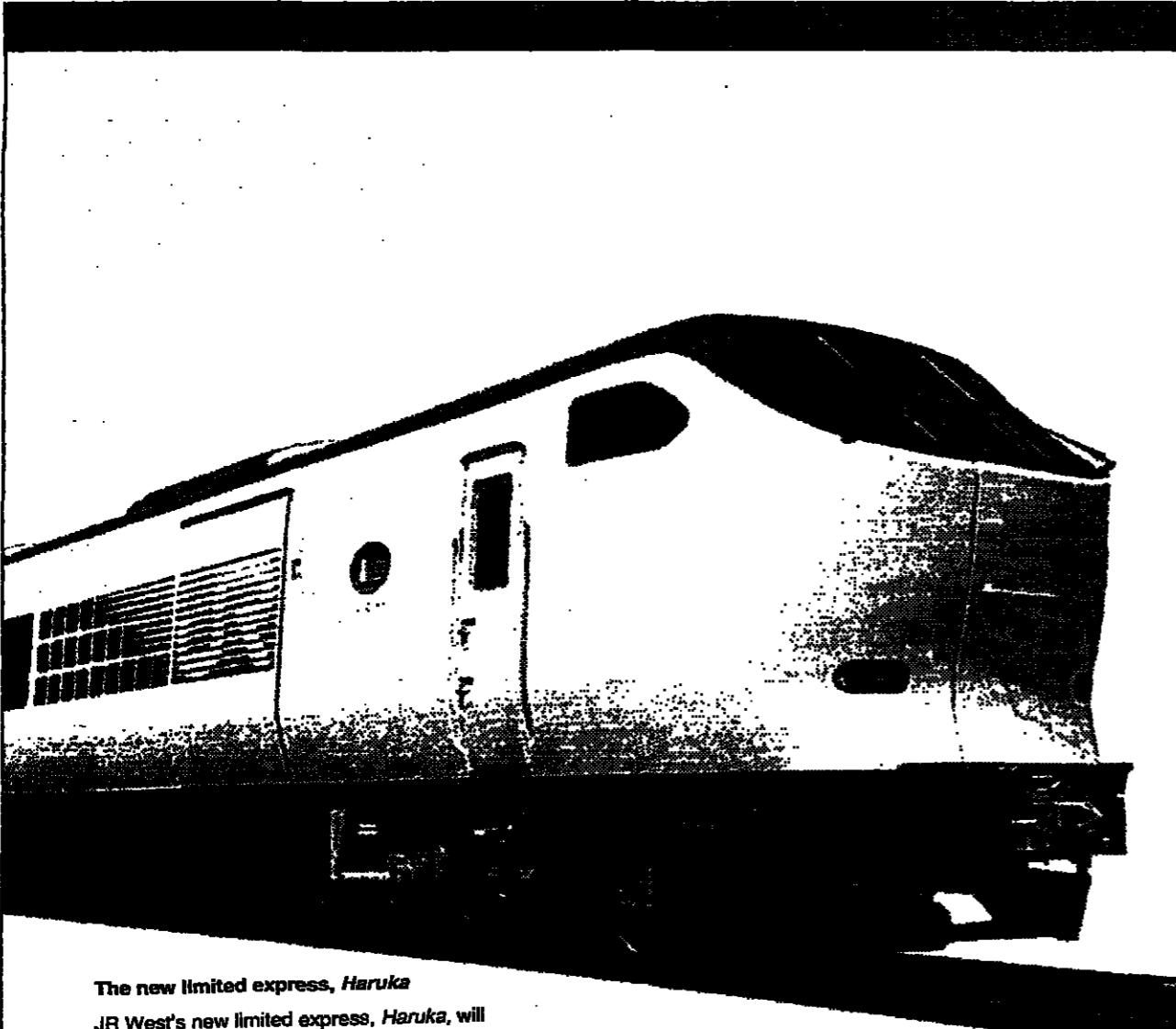
Like many other things which originated in the Kansai region, local musicians, designers and performers tend to move to Tokyo once they become successful, observes Mr Miyashita at PIA. There used to be an Osaka blues and soul culture in the 1970s, but that has more or less disappeared; while Kansai theatre performers, including comedians, move to Tokyo in order to go to television.

Concern that Kansai is being drained of talent has prompted the Osaka city government to encourage theatre companies to use public facilities for performances.

The Osaka chamber of commerce aims to encourage the study of Osaka as a city by promoting plays that use it as a setting, gift ideas that improve the city's image, and music compact discs by, for example, the Osaka Philharmonic Orchestra.

Others, such as Mr Noyama, hope that, with the spread of the information superhighway, talented performers will no longer have to move to Tokyo.

Michiyo Nakamoto



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